



# Statement of Accounts 2011/12

Electronic Version - unsigned

## **Contents**

	<b>Page no.</b>
<b>Explanatory foreword</b>	2
<b>Statement of responsibilities for the Statement of Accounts</b>	14
<b>Annual Governance Statement</b>	15
<b>Statement of Accounting Policies</b>	25
<b>Core Financial Statements</b>	
Movement in Reserves Statement	42
Comprehensive Income and Expenditure Statement	43
Balance Sheet	44
Cash Flow Statement	45
<b>Notes to the Core Financial Statements</b>	47
<b>Glossary of Terms</b>	105
<b>Independent Auditor's Opinion</b>	110

## Explanatory Foreword

### 1. The Statement Of Accounts

The accounts for 2011/12 have been produced in line with a new Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2011. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include :-

- the impact of the adoption of FRS 30 Heritage Assets
- additional guidance on the definition of a related party and the associated disclosures
- new disclosure requirements for exit packages

The accounts consist of the following financial statements:

#### a) **Statement of responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and its officers for the preparation and approval of the Statement of Accounts.

#### b) **Annual governance statement**

This statement provides a continuous review of the effectiveness of the Council's governance framework including the system of internal control and risk management systems, so as to give assurance on their effectiveness and/or address identified weaknesses.

#### c) **Statement of accounting policies**

The purpose of this Statement is to explain the basis of the figures in the Accounts. It outlines the accounting policies that have been adopted.

#### d) **The 'core' financial statements**

##### 1. Movement in Reserves Statement

This statement shows the movement in the year on different reserves held by the Authority. These are analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, details of which can be found in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance when the Council sets the annual revenue budget. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. This shows that the total Council fund balance has increased by £0.041m.

**2. The Comprehensive Income & Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in cash terms when the budget is set. Therefore, some caution is required in interpreting this statement as the cost of services shown includes items such as depreciation on the fixed assets owned by the Authority and the estimated cost of the shortfall on the pension scheme, which are not directly funded by the Council Tax payer.

For 2011/12, the Authority showed a slight surplus on the Comprehensive Income and Expenditure Statement of £0.121m. This does not however reflect the budgeted financial position of the Council, as it includes charges for pension costs and capital charges.

**3. Balance Sheet**

This shows the Council's financial position as at 31 March 2012, where the net worth was £107.086m. The statement summarises the Council's assets and liabilities and the balances and reserves at the Council's disposal, used in the Council's operations.

**4. Cash Flow Statement**

This shows the changes in cash and cash equivalents of the Council during the financial year. It illustrates how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council. The cash and cash equivalent position of the Council has increased by £16.369m.

**e) The Notes to the Accounts**

These are disclosures relating to the financial statements and include pensions and financial instruments disclosures.

**2. Funding Council Services**

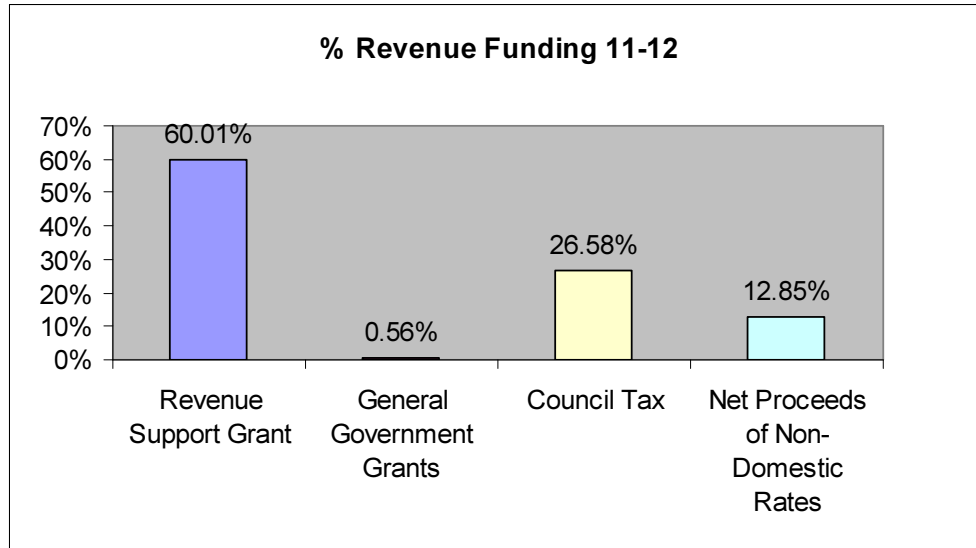
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**Revenue expenditure** covers spending on the day to day costs of services such as staff salaries, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income received from council tax payers, business ratepayers, the fees and charges made for certain services, and by grants received from government.

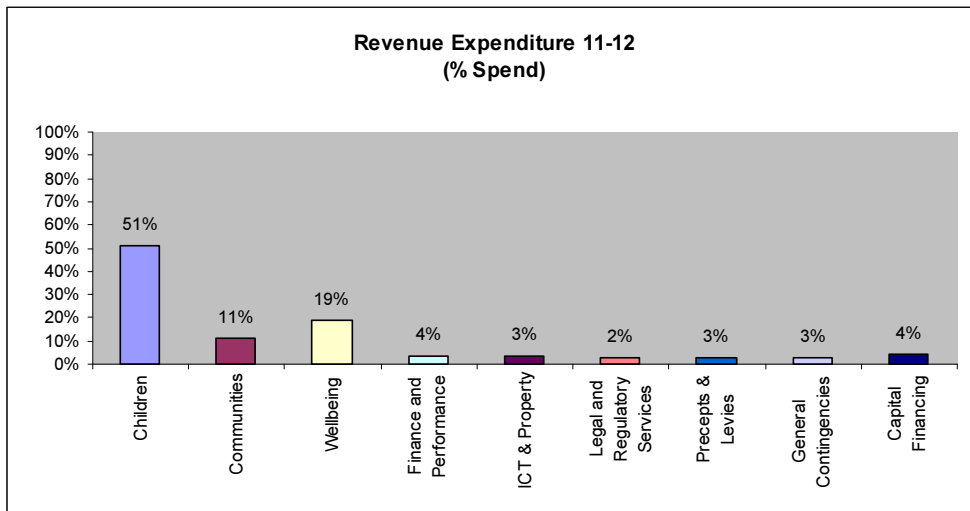
**Capital expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

**a) Revenue spending on council services**

**Where the money came from.....**



**Where the money was spent.....**



In 2011/12, the net spend on revenue services was £207m. This compares to £208m anticipated when the budget was revised, resulting in a £1m under-spend on Directorate Budgets. The overall position for the Authority was a slight under-spend of £41k after allowing for appropriation to Earmarked Reserves, additional income from council tax and investment income.

The following table shows how the actual expenditure on services during 2011/12 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2011/12

	<b>Original Budget 11/12 £'000</b>	<b>Budget Transfers In Year £'000</b>	<b>Revised Budget 11/12 £'000</b>	<b>Actual 11/12 £'000</b>	<b>Variance 11/12 £'000</b>
<b>Directorates</b>					
Children	116,406	977	117,383	117,382	(1)
Communities	24,714	389	25,103	25,052	(51)
Wellbeing	43,527	(825)	42,702	42,550	(152)
Finance and Property	5,925	(5,925)	-	-	-
Corporate Development & Partnership	4,063	(4,063)	-	-	-
Finance and Performance	-	9,193	9,193	8,572	(621)
ICT & Customer Care	6,868	(6,868)	-	-	-
ICT & Property	-	7,615	7,615	7,612	(3)
Legal and Regulatory Services	5,472	258	5,730	5,731	1
<b>Total Directorate Budgets</b>	<b>206,975</b>	<b>751</b>	<b>207,726</b>	<b>206,899</b>	<b>(827)</b>
Precepts & Levies	7,011	-	7,011	7,000	(11)
General Contingencies	4,493	(751)	3,742	4,753	1,011
Capital Financing	10,715	-	10,715	9,694	(1,021)
<b>Net Expenditure</b>	<b>229,194</b>	<b>-</b>	<b>229,194</b>	<b>228,346</b>	<b>(848)</b>
General Government Grants	(1,383)		(1,383)	(1,385)	(2)
NNDR Discretionary Rate Relief	46		46	50	4
Appropriation to/(from) Reserves	5,100		5,100	7,419	2,319
<b>Net Budget</b>	<b>232,957</b>	<b>-</b>	<b>232,957</b>	<b>234,430</b>	<b>1,473</b>
Revenue Support Grant	(147,197)		(147,197)	(147,197)	-
Non Domestic Rates	(31,522)		(31,522)	(31,522)	-
Council Tax	(63,687)		(63,687)	(65,201)	(1,514)
<b>Net (Under)/Overspend on Services</b>	<b>(9,449)</b>	<b>-</b>	<b>(9,449)</b>	<b>(9,490)</b>	<b>(41)</b>

Revised budgets differ from those set at the beginning of the year as they reflect any budget transfers from central funds and reserves to cover unplanned expenditure, along with transfers between Directorates resulting from realignment of responsibilities.

Reasons for differences between budget and spend

The financial position as at 31 March 2012 showed an under-spend on service expenditure within the year of £0.827m. This is explained in the following way:-

## ➤ Children's Directorate

The net revenue budget for the directorate for 2011/12 was £117.383m. The actual outturn was £117.382m, resulting in an under-spend of £1k. An over-spend of £1.3m on Looked After Children has been offset by under-spends across other services in the directorate and a transfer of £301k from the earmarked reserve for Looked After Children. Without this contribution from the earmarked reserve the directorate over-spend would have been £300k.

The most significant variances are detailed below:

### **Learning**

#### **Inclusion**

An under-spend of £125k has been reported for the Schools Special Needs (SEN) Service due to under-spends in the areas of ancillary support, therapy provision, resource bases and the outreach speech and language team. An under-spend of £173k has also been reported on out-county placements due to a reduced requirement to place children in out-county facilities. This links in with the reduction in out of county placements for children due to safeguarding reasons. However, on the education side this has sometimes been offset by increased costs for placing these children in the authority's own special schools, at a lower cost than out of county, but higher cost than in mainstream school. The budget allocations for 2012/13 have been adjusted to reflect this.

#### **Emotional Health & Behaviour**

An over-spend of £107k has been reported on the behaviour support service which mainly relates to increased expenditure on the Pupil Referral Unit and additional support for pupils with behavioural problems. Support for pupils with behavioural problems has increased by £100k in recent years. Measures are being taken to build capacity in this area and employ more preventative measures, but this takes time to feed through the system.

### **Strategic Partnerships and Commissioning**

#### **Strategic Management/Strategic Planning & Resources**

Savings of £518k have resulted from a delay in filling staff vacancies following a restructure of the service along with an under-spend of £168k on the schools maternity cover budget and additional grant income of £100k. These savings have been used to help compensate for the over-spend on Looked After Children. In addition, savings of £89k have been made from budgets set aside to meet the borrowing costs of investment in the Schools Modernisation Programme. It is unlikely that this level of savings will be repeated in 2012/13.

#### **Home to School Transport**

There is an under-spend of £235k on the home to school / college transport budget. It is difficult to budget more precisely for the home to school transport expenditure because of timing differences between the schools academic year and the financial year. A number of contracts are re-let and routes are changed during the academic year. There is also a long settling down period at the start of September and it is often difficult to ascertain more accurate cost projections until the end of quarter 3. Even then, inclement weather can impact on the likely costs. The cost of home to school transport is approximately £23k per school day. In

recent years schools have been allocated additional INSET days, bad weather has closed schools and occasional strikes have disrupted provision. The Education Minister has recently announced that the number of INSET days for schools will reduce to 5 in 2012/13. It is likely that this will impact on the costs.

#### Catering Services

Additional income of £84k was received in this service as a result of an increase in the number of school meal sales and breakfast clubs.

#### **Safeguarding and Family Support**

The gross over-spend on the Safeguarding and Family Support Services was £1,308k of which £301k has been met by from an earmarked reserve set aside at the end of 2010/11 to contribute towards these costs, resulting in a net over-spend of £1,007k. This over-spend is mainly due to an increase in demand for fostering placements and pressures on the social work employee budget. The 2011/12 financial year has been transitional in that the service has been working towards operating with a full permanent staffing establishment rather than relying on agency social workers, who in the longer term cost the service significantly more. There were 15 agency workers at the start of the year and only 3 at the end of the year. The service aims to release these remaining agency workers in the first quarter of 2012/13.

### ➤ **Wellbeing Directorate**

The 2011/12 outturn position for the Wellbeing Directorate is a net £152k under-spend on a net budget £42.702m. This is made up of an £81k over-spend on Adult Social Care offset by a £233k under-spend on Healthy Living services. The Adult Social Care over-spend has reduced by approximately £440k compared to the projection at Quarter 3 reflecting further measures taken to offset the budget pressures, more grant income than previously anticipated together with unplanned income received from the ABMU Health Board. The latter will be transferred to an earmarked reserve to fund costs anticipated in 2012/13. The under-spend in Healthy Living services is due in the main to reduced expenditure on premises and staffing in the run up to the transfer of services to Halo.

The main variances are detailed below:

#### **Adult Social Care**

##### Older People

There was an overall over-spend on the Older People budget of £678k, after taking account of additional income. The most significant element was an over-spend on home care services of £474k. This reflects an increase in the number of home care hours commissioned and delivered as a result of increasing demand for these services. An over-spend of £99k on the Meals at Home service reflected a part year effect only of the efficiency savings arising from the transfer of the service to Catering Service and the reduction from two drivers to one driver per van. The over-spend also included redundancy costs associated with the remodelled service.



**Physical Disability and Sensory Impairment**

An overall under-spend of £370k on this budget head related mainly to a reduction in residential care placements coupled with staff vacancies throughout the service, some of which are being held pending service remodelling.

**Learning Disability**

The overall position shows a balanced budget but this includes some significant variations. There was an over-spend on residential care of £259k, of which £175k related to an inability to achieve the cost saving target linked to Continuing Health Care funding and additional costs of £84k associated with two additional placements during the year. This over-spend was offset by savings on supported living schemes, as a result of natural turnover of service users.

**Mental Health**

There was an under-spend on this service of £174k largely as a result of reduced expenditure on specialist placements and staff vacancy management.

**Healthy Living**

Of the overall under-spend of £232k, the most significant variation was due to a reduction in expenditure on sports centres and swimming pools in the run up to the transfer of the service to Halo.

**➤ Communities Directorate**

The 2011/12 outturn position shows a net under-spend of £51k against the net revenue budget of £25.1m. The overall under-spend masks underlying budget pressures resulting predominantly from shortfalls against income budgets throughout the Directorate. Action will need to be taken in 2012/13 to address this issue.

The main variances are detailed below:

**Regeneration & Development****Development**

There was an over-spend of £215k in the Development service due to a reduction in planning application and building control fee income.

**Housing & Community Regeneration**

Significant improvements have been made in the management of temporary accommodation for homeless people which has resulted in a £140k under-spend on this service. Coupled with savings from staff vacancies, the overall under-spend on the Housing and Community Regeneration Service amounted to £507k.

**Regeneration**

Staff vacancies coupled with additional unplanned grant funding have led to an under-spend of £139k on the Regeneration service. Of this £50k will be used to create an earmarked reserve to provide match funding to the EU funded South

East Wales Community Economic Development (SEWCED) project in future years.

### **Street Scene**

#### **Streetworks**

There was an under-spend on the Streetworks service area of £144k as a result of savings from the waste collection contract. The under-spend masks budget pressures within the service area, in particular a £130k shortfall in trade waste income which will need to be addressed in the 2012/13 budget.

#### **Highways Maintenance**

There was a net over-spend on Highways Maintenance of £115k because of essential maintenance works carried out towards the end of the financial year. This was offset from anticipated under-spends in other service areas across the Directorate.

#### **Car Parking**

An over-spend on car park budgets of £152k resulted from a combination of increased maintenance costs (£35k) and an income shortfall (£117k) due to delayed implementation of proposed increases to car park charges. This will need to be addressed in 2012/13 if the over-spend is not to be repeated.

#### **Transportation and Engineering**

Restrictions on the ability to charge fee income on schemes funded by European Union (EU) grants, such as the regeneration of Bridgend Town Centre, has led to a shortfall of fee income of £108k for design and supervision of these projects. Budgets will need to be realigned in 2012/13 to reduce the estimated fee income to a more realistic level.

### ➤ **ICT and Property**

These services were provided within the overall budget of £7.6m in 2011/12 as the projected shortfall in fee income for architectural services was more than offset by staff vacancy savings across the remaining service areas.

### ➤ **Performance**

Savings of £621k against budget were achieved in 2011/12 as a result of employee vacancy management (£492k) along with additional net income received during the year (£130k). The Performance division is being restructured in 2012/13 and the Medium Term Financial Plan includes budget savings of £283k which will need to be identified in 2012/13 to 2013/14. Consequently, a number of posts have remained vacant in 2011/12 pending the restructure. This level of savings on staff budgets will not be repeated in 2012/13 to 2013/14.

### ➤ **Legal & Regulatory Services**

These services were provided within the overall budget of £5.73m in 2011/12. This position does however mask budget pressures within the Legal division because of an increase in demand on the service and resulting staffing pressures.

An over-spend of £133k within Legal services has been offset by savings due to staff vacancy management within Democratic and Regulatory Services.

➤ **Council wide budgets**

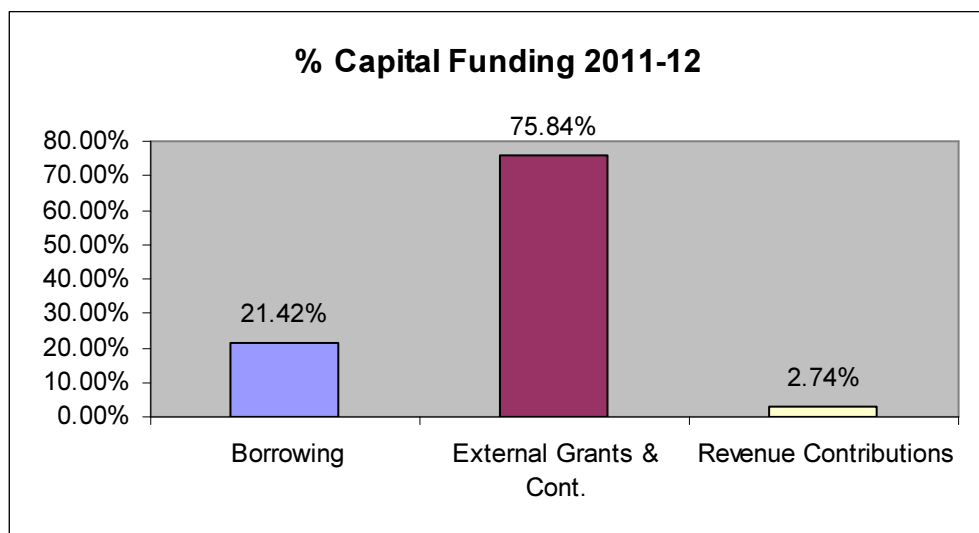
There was an overall under-spend of £2.535m on centrally held budgets of which £1.021m relates to a net under-spend on the capital financing budget. This was due to a combination of reduced financing costs because of timing differences between borrowing and repayments, capital expenditure being incurred towards the end of the financial year which reduced the in year borrowing requirement and enhanced investment income. In addition, accrued council tax income received in the year amounted to £1.514m.

**b) Capital spending in 2011/12**

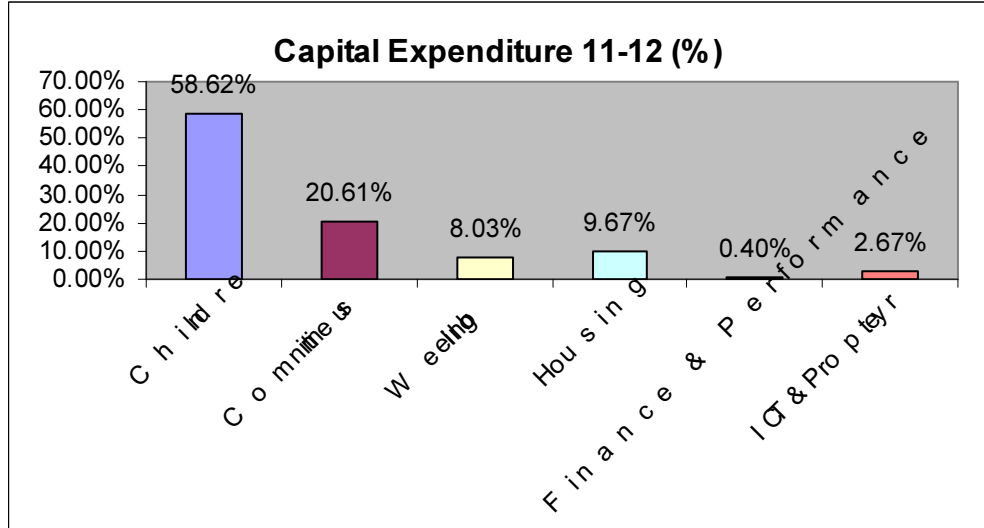
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2011/12 was £28.304m. Assets created, improved or work in progress as a result of this spend included:

- Coleg Cymunedol y Dderwen (Gateways to Valleys College)
- Bridgend Town Centre Regeneration
- Primary Schools' Amalgamations
- Disabled Facility Grants & Private Sector Housing
- Llynfi Valley Cycle Network

**Where the money came from.....**



What the money has been spent on.....



c) **Borrowing arrangements and sources of funds**

Each year, in accordance with the Local Government Act 2003, and the Prudential Code, the Council is required to set limits in relation to:-

- Authorised limit for borrowing;
- Exposure to fixed and variable interest rates;
- Various other prudential indicators.

The limits set at the start of the financial year were as follows:-

<b>Authorised limit for External Debt</b>	£160m
<b>Operational Boundary for External Debt</b>	£134m

As can be seen from the Balance Sheet, long term borrowing totalled £97.5m as at 31 March 2012 (£93.5m 2010/11).

The Council is required under the Local Government and Housing Act 1989 to prepare a Treasury Management Strategy for the forthcoming year. The Council’s Treasury Management Practices allows the Council to raise funds from a variety of sources, including the money market and the European Investment Bank. The Section 151 Officer is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

### 3. The Council's reserves

The financial reserves held by the Authority as at 31 March 2012 can be summarised as follows:

	<b>Opening Balance £'000</b>	<b>Movement £'000</b>	<b>Closing Balance £'000</b>
Council Fund	7,158	41	7,199
Delegated Schools	4,519	(506)	4,013
Earmarked Reserves	16,308	4,704	21,012
<b>Total Reserves</b>	<b>27,985</b>	<b>4,239</b>	<b>32,224</b>

The Delegated Schools Balances represent amounts held by schools that are committed to be spent on the Education service and not available to the Authority for general use. As part of the requirements of the Financial Scheme for Schools, schools have been asked to provide reasons for holding these balances. Reasons can include issues such as falling rolls, negative retrospective adjustments and planned initiatives.

Further information about earmarked reserves can be found in the notes to the main financial statements.

### 4. Pension Fund Liability

Disclosure information about retirement benefits in the Statement of Accounts is based on International Accounting Standard (IAS) 19. The pension fund liability that is disclosed in the Balance Sheet is the total projected deficit that exists over the expected life of the fund. The deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensions and current employees. The Pension Liability for 2011/12 is £287million (£226m in 2010/11). It is matched on the Balance Sheet with a pension reserve.

### 5. The Main Changes to the Accounts for 2011/12 Compared to 2010/11

The Council's accounts for the financial year 2011/12 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2011 ('the Code'). This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a Local Authority. There have been a number of changes in requirements since the 2010/11 accounts were prepared.

#### Heritage assets

This requirement means that within the total of fixed assets, councils are obliged to disclose the value of 'heritage' assets. The Council has included Civic Regalia within this asset category.

**Cost of exit packages**

Councils are being asked to disclose the number and cost of exit packages agreed. Exit packages include voluntary severance arrangements, compulsory redundancy costs, pension contributions in respect of added years, ex gratia payments and other related departure costs.

**Carbon reduction commitment (CRC) energy efficiency scheme**

The 2011/12 financial year is the first year for which there will be an obligation to purchase and surrender CRC allowances in relation to carbon dioxide emissions. Following the end of 2011/12, the Council will submit the annual report on emissions for the 2011/12 financial year.

**6. The Impact of the Current Economic Climate on the Authority**

The Council's Medium Term Financial Plan indicates that there will need to be budget reductions that are challenging and a number of proposals are dependent on re-engineering and remodelling services. It is important that proposals are progressed as quickly as possible and timescales adhered to. In addition, the potential impact of Job Evaluation on the medium term budget is a significant concern. The level of balances held is sufficient to enable the Council to respond to unforeseen eventualities but the council fund balance must be retained at around the current level. Service spending must be controlled within budgets to ensure that the financial position of the Council is not compromised. Whilst projections of future funding have been made available these are only indicative estimates and the position could change for future years.

## **The Statement of Responsibilities for The Statement of Accounts**

### **The Authority's responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Assistant Chief Executive - Performance and Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Assistant Chief Executive - Performance and Section 151 Officer's Responsibilities**

The Assistant Chief Executive – Performance and Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Assistant Chief Executive - Performance and Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Assistant Chief Executive - Performance and Section 151 Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Assistant Chief Executive - Performance and Section 151 Officer's Certificate**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council at 31 March 2012 and of its income and expenditure for the year ended 31 March 2012.

**Signed :**

**Assistant Chief Executive - Performance and Section 151 Officer**

**Date :**

## Annual Governance Statement 2011/12

### **1. Scope of Responsibility**

- 1.1 Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

This builds upon the principles set out by the Welsh Government (WG) under the Wales Programme for Improvement (WPI) and the vision for public service delivery as set out in the 'Programme for Government'.

- 1.3 In discharging its overall responsibilities, the Council is also responsible for ensuring that it has in place a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.4 A Code of Corporate Governance has been developed, which is consistent with the framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the "Making the Connections" governance principles and values set out by the Welsh Government (WG).

### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems, processes, and values by which the Authority is directed and controlled and the means by which it accounts to, engages with and leads the local community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to avoid inappropriate use or loss of public funds. It also assists in managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and to manage their impact.
- 2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31<sup>st</sup> March 2012. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

### **3. The Governance Framework**

- 3.1 The six principles of corporate governance that underpin the effective governance of all local authority bodies as defined by CIPFA and SOLACE, incorporating the WG governance principles (shown in *italics*) are as follows:



- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; (*Putting the Citizen First*); (*Achieving Value for Money*);
- Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; (*Living Public Service Values*);
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
- Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
- Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);

3.2 The Council has followed these principles and has identified the following points whilst gathering evidence to gain assurance that governance within the Authority is robust.

**4. Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area (*Putting the Citizen First; Achieving Value for Money*).**

4.1 The Council has published its Corporate Plan and Improvement Objectives which are aligned to the needs of the local community. In accordance with requirements, the Council has worked with its partners to develop and implement the Community Strategy to promote the economic, social and environmental well being of its area. This work was led by the Local Service Board and provides an inter agency approach to improve the quality of life of residents of the County Borough over ten years to 2020.

4.2 Whilst the Community Strategy provides the over-arching framework, the Council has a central role to play. The agenda is a complicated one as differing and often conflicting priorities have to be dealt with when decisions are being made. In setting its improvement objectives, the Council must take into account a number of factors including service demands, legislative requirements, community wishes, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies. The Corporate Plan adopted in 2010 is aligned with the Community Strategy and provides focus and direction for all the Council's services, elected Members, employees, partner organisations, service users and other stakeholders. The Community Strategy will be replaced with a Single Integrated Partnership Plan (SIPP) from April 2013.

4.3 The Council's Improvement Objectives must be reviewed on an annual basis and this work gives direction for Directorate Business Plans. Arrangements are in place for progress against the improvement objectives to be reviewed on a quarterly basis.

4.4 The Council has adopted a Medium Term Financial Plan for the period 2012/13 to 2014/15. The Plan provides the financial framework for the next 3 years and the budget strategy for the next financial year. The annual revenue budget together with the capital programme enables the Council to align its financial resources with its priorities. Quarterly budget monitoring reports are submitted to Cabinet and to

Scrutiny Committees, with Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.

4.5 Priorities for service improvement are identified in Directorate Business Plans and there are a range of projects, linked to programmes, in progress to ensure these are achieved. The corporate programme management board is overseeing a number of major initiatives including:

- School modernisation programme;
- Integrating Health and Social Care;
- Regeneration projects;
- Job Evaluation;
- Implementing the Inclusion Strategy.

4.6 The Auditor General's Annual Improvement Report on the Council was published in January 2012. The report's main message is that the Council has put good arrangements in place to deliver improvement and does well in the areas it focuses on. It recognises that the Council has succeeded in achieving or putting in place programmes to achieve the majority of its identified priorities but its evaluation and reporting on performance is not sufficiently balanced. Reporting on performance and outcomes is an area which needs to be strengthened.

4.7 Activity that demonstrates commitment to Principle 1 - "**Putting the Citizen First**", included:

- Ongoing use made of the Citizens' Panel and extensive public engagement activity undertaken within areas such as Regeneration, Health Social Care and Wellbeing (HSCWB) Strategy, Children and Young People (CYP) Plan, Community Safety;
- Citizen Engagement Strategy endorsed by Cabinet;
- Customer contact centre as focal point for customer engagement;
- Consultation activity with customers – e.g. consultation on corporate improvement objectives, development of 'Ask Bridgend';
- Work of the Homelessness Research and Evaluation Panel (REP) engaging with users, registered social landlords, providers and other stakeholders.

4.8 Other significant points that support compliance with Principle 1 in 2011/12 include work undertaken with partner agencies to develop a new Compact with the Voluntary Sector; a contract with an external provider for the delivery of leisure services. Engagement was also undertaken in the year with stakeholders and service users of Adult Social Care and Healthy Living services.

**5. Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles (*Knowing Who does What and Why*).**

5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system within which:

- The Council sets the overall budget and appoints the Leader of Council;
- The Council appoints the Cabinet and allocates portfolios;
- Scrutiny Committees advise on policy formulation and hold the Cabinet to

account in relation to specific matters. They may also review areas of activity which are not the responsibility of the Cabinet or matters of wider local concern;

- Regulatory Committees (e.g. Licensing, Development Control) are in place to determine matters as defined within the Council's Constitution;
- The Cabinet makes decisions within this framework but some decisions are delegated to individuals in the Cabinet, committees of the Cabinet or officers;
- Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers;

- 5.2 There is a Standards Committee to promote high standards of conduct and support members' observation of the Model Code of Conduct.
- 5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Authority. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.
- 5.4 The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer. It provides a point of reference for individuals and organisations both inside and outside the Council. Its Rules of Procedure set the overall framework and in general are not subject to frequent change. Procedural rules and codes of conduct outline how the Constitution will be put into effect. Whilst the Constitution is required by statute, its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance. To ensure continued compliance, the Assistant Chief Executive – Legal and Regulatory Services is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989.
- 5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes to undertake. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 5.6 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board.
- 5.7 All staff, including senior management, have clear terms and conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are monitored by Human Resources.
- 5.8 The Assistant Chief Executive – Performance is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.
- 5.9 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.

5.10 The Corporate Governance diagnostic published by WAO in 2010 identified that the Council was able to demonstrate a number of positive indicators under Principle 2 and these included:

- Mature relationship – senior officers and cabinet members understand each other's roles
- Strong leadership from leader, cabinet and Chief Executive
- Corporate directors and Management Board collectively have a clear sense of direction
- Improved quarterly business review and planning processes, aligned with Improvement Plan
- Role of scrutiny in policy development is beginning to evolve.

5.11 However the review also identified that the collaborative culture at the top of the organisation needs to be cascaded down to become evident in all service areas.

**6. Principle 3 - Promoting Values for the Council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour (*Living Public Service Values*).**

6.1 The Council's core values encapsulated in the acronym FACE (Fair, Ambitious, Customer Focused, Efficient) demonstrate the Council's commitment to the Public Service values. The good governance diagnostic found that 90% of staff and Members surveyed believe the Council core values were clearly set out and that openness and transparency runs through the organisation.

6.2 The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be made.

6.3 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences;

- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

6.4 Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee, which also hears allegations of misconduct by members.

6.5 A corporate complaints policy is in place for the Council to receive and investigate complaints made against it and this is overseen by the Monitoring Officer.

6.6 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council. The Terms of Reference in place for the Committee were revised in 2010 and are consistent with the core responsibilities as recommended by CIPFA.

**7. Principle 4 - Taking Informed and Transparent Decisions which are subject to effective scrutiny and Managing Risk (*Fostering Innovative Delivery*).**

- 7.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Within this framework, key decisions are made by the Cabinet. All Cabinet meetings are open to the public (except on the limited occasions where items are exempt or confidential).
- 7.2 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.
- 7.3 The decision-making process is monitored by five Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's Constitution states that the Chairs of these Committee's will be appointed at the Annual General meeting of Council. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.
- 7.4 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.
- 7.5 Policies and procedures that assist in governing the Council's operations include Financial Regulations, Procurement procedures and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.
- 7.6 The Council has a well-developed performance management framework linking the Community Strategy to the Corporate Plan and then to Directorate, Service and Team Plans. Links to the appraisal process can be readily established for middle and senior managers.
- 7.7 The diagnostic work undertaken by the Wales Audit Office revealed that the Council has shown an appetite for challenging and improving services. The findings also reflected the fact that a high percentage of Members and senior officers believe the Council strives to achieve more innovative ways of delivering services.
- 7.8 The Council has developed a robust approach to the management of risk and the risk management policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.
- 7.9 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled into a Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. The Risk Manager regularly reviews the register and the action being taken to mitigate the risks.

The main risks currently facing the Council include:

- Impact of the Welfare Reform Bill on the Community
- Implementing a new pay and grading system (Job Evaluation)
- School Modernisation

- Remodelling of Adult Social Care
- Impact of the recession and using resources effectively
- Improving educational attainment
- Supporting vulnerable children and young people
- Impact of Homelessness
- Effective collaboration with partners
- Maintaining the infrastructure

7.10 The Council's approach to Risk Management ensures that key risks are considered within the determination of Council priorities, targets and objectives. All of this serves to inform the development of the Regulatory Plan and the Council's own Improvement Plan.

7.11 The financial management of the Council is conducted in accordance with all relevant legislation and its Constitution. In particular, the financial procedure rules and Contract procedure rules and the scheme of delegation provide the framework for financial control. The Assistant Chief Executive – Performance has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. Chief Officers are responsible for financial management within their respective services. Monthly financial monitoring is undertaken and quarterly reports are produced for Cabinet and Scrutiny Committees. This work informs the production of the statutory Annual Statement of Accounts.

**8. Principle 5 - Developing the Capacity and Capability of Members and Officers to be Effective (*Being a Learning Organisation*).**

8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council.

8.2 There is a Member Development Strategy, which provides a framework for supporting elected members in the roles that they are required to undertake both within, and outside, the Council. The Strategy assists members to develop and strengthen their ability to be confident and effective political and community leaders.

8.3 The Council's Staff Appraisal System enables individuals to understand how they contribute to achieving the aims of the Council. The process recognises that most actions are delivered by individuals working in teams to achieve set priorities. The Appraisal system is an important part of the Council's Performance Management Framework.

8.4 During 2010, the Council was awarded 'Charter status' for its Member development and the arrangements in place to support members in their roles. In 2012, a number of initiatives have been taken forward including Personal Development plans for Members, annual reports and a mentoring scheme in advance of the 2012 elections. A member training programme has also been developed, aimed in particular at newly elected Members.

8.5 The Council maintains a set of management standards that seek to promote High Performing Behaviours. These are built around the 'FACE' core values (Fair, Ambitious, Customer Focused, Efficient) and underpin the Leadership and Management Development training that is provided.

**9. Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability (*Engaging with Others*);**

9.1 The Council is committed to understanding and learning from the views of the public. Consultation processes enable views of stakeholders to inform policies and service delivery. The Council's planning and decision-making processes are designed to include consultation with stakeholders. The Council's Citizen Engagement Strategy will provide a framework for engagement activities, which are undertaken by the Council and will support work being done in this area by the Local Service Board.

9.2 Arrangements for consultation and for gauging local views are extensive; significant activity is undertaken by the Strategic Partnerships. Elected members offer surgeries, or equivalent means of providing assistance, for their constituents. The Community Strategy was drawn up in consultation with stakeholders across the area.

9.3 During 2011/12 the Council has consulted on a wide range of issues including the following (this list is not exhaustive):

- Regeneration plans;
- Children and Young People Plan;
- Community Safety issues;
- School modernisation/reorganisation
- Recycling;
- Library services;
- 'Scrutiny Committees' Research and Evaluation panels;
- Single Integrated Partnership Plan

9.4 The Council operates a corporate complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

**10. Review of Effectiveness**

10.1 The Council has responsibility for reviewing the effectiveness of its governance framework including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

10.2 Key elements of the process are:

- The Cabinet (as Executive), who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

- A resourced Scrutiny function, which holds the Cabinet to account. Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Community Safety and Governance Scrutiny Committee maintain an overview of cross-cutting matters.
  - The Audit Committee, which provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors and holding managers to account for delivering agreed actions. The Committee met regularly throughout the year and provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.
- 10.3 Internal Audit undertakes a continuous audit of Council services, which are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. In carrying out its duties, Internal Audit complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 10.4 The unit also provides an independent and objective assurance service to management. It completes a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the unit undertakes fraud investigations and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and the Cabinet as appropriate.
- 10.5 As part of the normal audit reporting process, recommendations are made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. Furthermore, the Assistant Chief Executive – Performance as S151 Officer provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues.
- 10.6 The Wales Audit Office's Annual Improvement Report is considered by the Corporate Management Team, Cabinet, Scrutiny and the Audit Committee. Audit Committee also receives the Appointed Auditor's ISA 260 report, which supports the external audit of the Council's Annual Statement of Accounts. Other external regulatory agencies such as CSSIW and Estyn also provide advice on specific service areas.
- 10.7 The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees establish Research and Evaluation panels (such as that set up to review budget options); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.
- 11. Significant Governance Issues**
- 11.1 During 2011/12 Internal Audit undertook a review of corporate governance and this work involved a review of the arrangements in place during 2010/11. The



audit findings were that the Council was in compliance with the requirements of the CIPFA/SOLACE framework.

11.2 The Annual Internal Audit Opinion as reported to the Audit Committee in April 2012, for the period July 2011 to March 2012, stated that based on the work undertaken “, a satisfactory assurance level can be applied to standards of internal control at Bridgend CBC for the period stated.”

11.3 In 2011/12 an internal audit report regarding a fraud in the building maintenance unit identified weaknesses in the internal control framework in that unit. The internal controls have been strengthened and progress on the related action plan is being monitored by management and the Audit Committee.

11.4 Looking to the future, the challenges involved in delivery of the £14m savings identified in the Medium Term Financial Plan 2012/13 to 2014/15 cannot be overstated. To ensure these savings are delivered the Council is:

- Reviewing its Improvement Objectives in the light of the reduced level of resources available;
- Identifying more effective and innovative ways of working, including developing collaborations and partnerships with other organisations;
- Challenging existing working practices and methods of service delivery (e.g. via the Workwise initiative and collaboration);
- Seeking the views of its stakeholders on proposals for remodelling or reconfiguring services;
- Identifying savings in management and administrative costs;
- Exploring further use of IT to deliver business efficiencies;
- Continuing to manage major changes via the corporate programmes;
- Developing a workforce plan that is cognisant of the implications for service delivery as a result of increased collaborative working;
- Reviewing its Business Continuity Plan.
- Integrating business and financial planning

11.5 Key to success will be a robust process of monitoring and scrutiny to ensure that the savings are achieved with minimal impact upon the end user. Notwithstanding the overarching risk associated with funding levels, there are certain specific risks, the mitigation and progress of which will be of critical importance for the Council to manage in the ensuing financial year.

**12. Certification of Annual Governance Statement**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**  
**Section 151 Officer.....Date.....**

**Chief Executive Officer.....Date.....**

**Leader of the Council.....Date.....**

## Statement of Accounting Policies

### 1. General principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005 in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2011/12 and the *Service Reporting Code of Practice* 2011/12 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**3. Provisions, Contingent Liabilities and Contingent Assets**Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**4. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

**5. Government grants and contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grant / contribution will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 6. Employee benefits

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlement earned by employees but not taken before the financial year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in the Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

Employees of the Authority are members of two separate pension schemes. Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

- The *Teachers' Pension Scheme*, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The arrangements for this scheme mean that liabilities for benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.
- The *Local Government Pension Scheme* - Other Employees are members of the Rhondda Cynon Taf County Borough Council Pension Fund. The Local Government Scheme is accounted for as a defined benefit scheme:-

- The liabilities of the pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:-
  - i. Quoted securities – current bid price
  - ii. Unquoted securities – professional estimate
  - iii. Property – market value
- The change in the net pensions liability is analysed into seven components:-
  - i. Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - ii. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - iii. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement
  - iv. Expected Return on Assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement
  - v. Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - vi. Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuations or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - vii. Contributions to the pension fund – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits

for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

- The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **7. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

## **8. Overheads and support services**

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12 (SeRCOP)*. For 2011/12, most support service costs have been apportioned by a variety of methods. The most important being:

- actual use of support service
- estimated staff deployment, in some cases backed by formal time recording systems
- apportionments based on related financial or physical quantities (e.g. employee numbers, number of deliveries etc)

Support services defined as Corporate and Democratic Core and Non-Distributed Costs are not chargeable to direct services in accordance with the *SeRCOP*.

- Corporate and Democratic core are costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non distributed costs are the costs of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two categories are defined in *SeRCOP* and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of the Net Expenditure on Continuing Services.

## **9. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.



**Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – Depreciated on a straight-line basis according to estimated asset lives (ranging from 1 to 79 years) based on the value at the start of the year except for land, which is not depreciated.
- vehicles, plant, furniture and equipment – Depreciated on a straight-line basis according to estimated asset lives (ranging from 3 to 10 years).
- infrastructure – Depreciated on a straight-line basis over 30 years on Bridges and 15 years on Roads.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately according to the residual life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less

costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

## **10. Heritage Assets**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. If the Authority disposes of a heritage asset, the proceeds are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in

accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

**11. Charges to revenue for non-current assets**

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. However, it is required to make an annual prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement and is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement for supported borrowing and based on the asset life for unsupported borrowing. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision (MRP)* by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**12. Revenue Expenditure Funded from Capital Resources under statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples of such expenditure include home improvement grants, town improvement grants, demolitions and land feasibility studies. Where the Authority has determined to meet the cost of these from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

**13. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Authority as Lessee**Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

**The Authority as Lessor**Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**14. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

The Authority has three Lender's Option Borrower's Option loans (LOBOs) with stepped interest rates. An effective interest rate has been used for these so that these are remeasured amounts for the LOBOs on the Balance Sheet.

Where premiums and discounts on early repayment have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**15. Financial Assets**

Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

**16. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**17. Private Finance Initiatives (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under the PFI scheme and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts

for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed as follows:-

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement
- payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator

PFI assets are subject to MRP. The Annual MRP Policy for the Authority has deemed this charge to be equivalent to the finance lease liability written down for the year.

#### PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future expenditure.

### **18. Joint Arrangements**

The Council has administrative responsibilities for County Borough Supplies and Coychurch Crematorium. Independent financial statements continue to be prepared and audited for each of these joint committees. The activities of these joint arrangements are excluded from the Council's single entity financial statements on the basis of materiality of both assets and population.

### **19. Council Tax Income**

All Council Tax income is shown in the Comprehensive Income and Expenditure Statement of the Authority with the major preceptors' precepts (South Wales Police) being included as expenditure.

### **20. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's

financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**21. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**22. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**23. Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**24. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between

knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **25. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are in relation to the Authority's financial performance.

## **26. Accounting Standards that have been Issued but not yet Adopted**

For 2011/12 the only accounting policy change that needs to be reported relates to amendments to *IFRS 7 Financial Instruments*.

## **27. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Authority is deemed to control the services provided under the outsourcing agreement for the provision of a Comprehensive School in Maesteg and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the School (valued at £22.7m) has been recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

The Authority has examined all its existing leases under IAS 17 and as a result some have been classified as finance leases. This was as a result of evaluating that the present value of the minimum lease payments amounted to substantially all of the fair value of the leased assets. The value of these finance leases as at 31 March 2012 is £234k.

## **28. Assumptions made about the future and other major sources of estimated uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current



trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Plant, Property and Equipment**

The Council's portfolio of Land and Buildings is re-valued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value.

**Depreciation of Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may result in spending on repairs and maintenance having to be reduced thus, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets will fall.

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

**29. Carbon Reduction Commitments Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the services and is apportioned to services on the basis of energy consumption.



# Core Financial Statements 2011/12

## Movement in Reserves Statement For Years Ended 31 March 2011 &amp; 2012

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	7,141	16,785	14,984	195	39,105	68,054	107,159
<b>Movement in Reserves during 2010/11</b>							
Surplus or (deficit) on provision of services	52,231	-	-	-	52,231	-	52,231
Other Comprehensive Expenditure and Income	-	-	(140)	-	(140)	4,296	4,156
<b>Total Comprehensive Expenditure and Income</b>	<b>52,231</b>	<b>-</b>	<b>(140)</b>	<b>-</b>	<b>52,091</b>	<b>4,296</b>	<b>56,387</b>
Adjustments between accounting basis & funding basis under regulations	(46,525)	-	(3,237)	194	(49,568)	49,568	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>5,706</b>	<b>-</b>	<b>(3,377)</b>	<b>194</b>	<b>2,523</b>	<b>53,864</b>	<b>56,387</b>
Transfers to/from Earmarked Reserves	(5,689)	5,689	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>17</b>	<b>5,689</b>	<b>(3,377)</b>	<b>194</b>	<b>2,523</b>	<b>53,864</b>	<b>56,387</b>
Balance at 31 March 2011 carried forward	7,158	22,474	11,607	389	41,628	121,918	163,546
<b>Movement in Reserves during 2011/12</b>							
Surplus or (deficit) on provision of services	121	-	-	-	121	-	121
Other Comprehensive Expenditure and Income	-	-	36	-	36	(56,617)	(56,581)
<b>Total Comprehensive Expenditure and Income</b>	<b>121</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>157</b>	<b>(56,617)</b>	<b>(56,460)</b>
Adjustments between accounting basis & funding basis under regulations	5,850	-	670	(281)	6,239	(6,239)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>5,971</b>	<b>-</b>	<b>706</b>	<b>(281)</b>	<b>6,396</b>	<b>(62,856)</b>	<b>(56,460)</b>
Transfers to/from Earmarked Reserves	(5,930)	5,930	-	-	-	-	-
<b>Increase/Decrease in 2011/12</b>	<b>41</b>	<b>5,930</b>	<b>706</b>	<b>(281)</b>	<b>6,396</b>	<b>(62,856)</b>	<b>(56,460)</b>
Balance at 31 March 2012 carried forward	7,199	28,404	12,313	108	48,024	59,062	107,086

## Comprehensive Income and Expenditure Statement 2011/12

2010/11				2011/12			Notes
Gross Expenditure Restated £'000	Gross Income Restated £'000	Net Expenditure Restated £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
159,390	(36,121)	<b>123,269</b>	Children's and Education Services	158,535	(32,998)	125,537	
54,519	(17,560)	<b>36,959</b>	Adult Social Care	56,599	(16,915)	39,684	
26,468	(6,702)	<b>19,766</b>	Highways, Roads and Transport Services	25,248	(6,037)	19,211	
49,269	(46,645)	<b>2,624</b>	Housing Services	51,945	(49,630)	2,315	
38,863	(24,279)	<b>14,584</b>	Central Services to the Public	35,843	(22,513)	13,330	
17,007	(3,719)	<b>13,288</b>	Cultural and Related Services	15,413	(3,754)	11,659	
21,299	(9,019)	<b>12,280</b>	Environmental and Regulatory Services	19,577	(7,551)	12,026	
14,211	(9,155)	<b>5,056</b>	Planning Services	13,196	(8,070)	5,126	
5,692	(200)	<b>5,492</b>	Corporate and Democratic Core	5,532	(323)	5,209	
(62,110)	-	<b>(62,110)</b>	Non-Distributed Costs	310		310	
<b>324,608</b>	<b>(153,400)</b>	<b>171,208</b>	<b>Cost Of Services</b>	<b>382,198</b>	<b>(147,791)</b>	<b>234,407</b>	
			<b>Other Operating Expenditure</b>				
8,986		8,986	Payments of precepts		9,449	9,449	2
7,169		7,169	Levies payable		7,000	7,000	2
(615)		(615)	Gain/loss on disposal of non current (fixed assets)	519		519	
<b>15,540</b>	<b>-</b>	<b>15,540</b>	<b>Other Operating Expenditure</b>	<b>519</b>	<b>16,449</b>	<b>16,968</b>	
			<b>Financing and Investment Income and Expenditure</b>				
4,751		<b>4,751</b>	Interest payable on debt	4,772		4,772	
26		<b>26</b>	Interest element of finance leases (lessee)	14		14	
1,593		<b>1,593</b>	Interest payable on PFI unitary payments	1,566		1,566	9
27,840		<b>27,840</b>	Pensions interest costs	28,020		28,020	
(18,480)		<b>(18,480)</b>	Expected return on pension assets	(21,430)		(21,430)	
	(490)	<b>(490)</b>	Investment Interest & Other Interest Receivable		(601)	(601)	
(341)		<b>(341)</b>	Changes in fair value of investment properties	(280)		(280)	
18,724	(19,456)	<b>(732)</b>	Gain/loss on trading accounts (not applicable to a service)	17,769	(18,431)	(662)	3
<b>34,113</b>	<b>(19,946)</b>	<b>14,167</b>	<b>Financing and Investment Income and Expenditure</b>	<b>30,431</b>	<b>(19,032)</b>	<b>11,399</b>	
			<b>Taxation and Non-Specific Grant Income</b>				
	(143,036)	<b>(143,036)</b>	RSG		(147,197)	(147,197)	4
	(62,498)	<b>(62,498)</b>	Council tax		(65,201)	(65,201)	6
	(37,667)	<b>(37,667)</b>	NNDR		(31,472)	(31,472)	7
	(8,562)	<b>(8,562)</b>	Recognised capital grants and contributions		(17,640)	(17,640)	5
	(1,383)	<b>(1,383)</b>	Non service related government grants		(1,385)	(1,385)	5
<b>-</b>	<b>(253,146)</b>	<b>(253,146)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(262,895)</b>	<b>(262,895)</b>	
<b>374,261</b>	<b>(426,492)</b>	<b>(52,231)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>413,148</b>	<b>(413,269)</b>	<b>(121)</b>	
		5,409	<b>Surplus or deficit on revaluation of non current assets</b>			(529)	
		(9,700)	<b>Actuarial gains / losses on pension assets / liabilities</b>			57,110	
		135	- Matching the entry to the pensions reserve			-	
			<b>Other Comprehensive Income and Expenditure</b>				
		<b>(4,156)</b>	<b>Sub-total</b>			<b>56,581</b>	
		<b>(56,387)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>56,460</b>	

## Balance Sheet for Years Ended 31 March 2011 and 2012

31 March 2011 Restated £'000		31 March 2012 £'000	Notes
	<b>Property, Plant &amp; Equipment</b>		<b>18</b>
382,558	- other land and buildings	385,198	
4,674	- vehicles, plant, furniture and equipment	4,049	
95,027	- infrastructure	87,786	
3,285	- community assets	3,285	
14,099	- assets under construction	18,288	
14,517	- surplus assets not held for sale	14,088	
51	<b>Heritage Assets</b>	51	<b>20</b>
	<b>Investment Property</b>		
3,094	- Investment property	3,374	<b>19</b>
	<b>Long Term Debtors</b>		
116	Housing Advances	80	<b>21</b>
727	Finance Leases	618	
<b>518,148</b>	<b>Long Term Assets</b>	<b>516,817</b>	
	<b>Short Term Investments</b>	5,563	<b>34</b>
13,027	<b>Assets held for sale</b>	1,264	<b>23</b>
1,915	<b>Inventories</b>	339	
361	<b>Short Term Debtors</b>	29,054	<b>22</b>
27,790	<b>Cash and Cash Equivalents</b>	22,494	
6,125			
<b>49,218</b>	<b>Current Assets</b>	<b>58,714</b>	
(4,551)	<b>Short Term Borrowing</b>	(4,248)	<b>34</b>
(36,788)	<b>Short Term Creditors</b>	(49,603)	<b>24</b>
<b>(41,339)</b>	<b>Current Liabilities</b>	<b>(53,851)</b>	
(18,982)	<b>Provisions</b>	(6,429)	<b>25</b>
(93,523)	<b>Long Term Borrowing</b>	(97,496)	<b>34</b>
	<b>Other Long Term Liabilities</b>		
(22,248)	PFI & Other Long Term Liabilities	(21,158)	<b>26</b>
(226,110)	Net pensions liability	(287,120)	<b>28b</b>
(1,618)	<b>Capital Grants Receipts in Advance</b>	(2,391)	
<b>(362,481)</b>	<b>Long Term Liabilities</b>	<b>(414,594)</b>	
<b>163,546</b>	<b>Net Assets</b>	<b>107,086</b>	
	<b>Usable reserves</b>		<b>27</b>
7,158	- Council Fund	7,199	
22,474	- Earmarked reserves	28,404	<b>27b</b>
11,607	- Capital Receipts Reserve	12,313	<b>27a</b>
389	- Capital Grants Unapplied	108	
	<b>Unusable Reserves</b>		<b>28</b>
105,883	- Revaluation Reserve	104,510	<b>28a</b>
(226,110)	- Pensions Reserve	(287,120)	<b>28b</b>
251,809	- Capital Adjustment Account	251,393	<b>28c</b>
(5,936)	- Financial Instruments Adjustment Account	(5,731)	<b>28d</b>
(3,728)	- Short-term Accumulating Compensated Absences Account	(3,990)	<b>28e</b>
-			
<b>163,546</b>	<b>Total Reserves</b>	<b>107,086</b>	

## Cash Flow Statement as at 31 March 2011 and 2012

2010/11 £'000		2011/12 £'000	Notes
(52,231)	Net (surplus)/deficit on the Provision of Services	(121)	
28,574	Adjustments to net deficit on the provision of services for non-cash movements	(24,216)	35
8,562	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	17,640	
<b>(15,095)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(6,697)</b>	36
24,895	Investing Activities	15,424	37
(11,883)	Financing Activities	(25,096)	38
<b>(2,083)</b>	<b>Net increase in Cash &amp; Cash Equivalents</b>	<b>(16,369)</b>	
(4,042)	Cash & Cash Equivalent at the beginning of the Reporting Period	(6,125)	
<b>(6,125)</b>	<b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>	<b>(22,494)</b>	

**Certification of Accounts**

**Certification by Assistant Chief Executive - Performance and Section 151 Officer**

I certify that the accounts set out on Pages 25 to 109 give a true and fair view of the financial position of the Council as at 31 March 2012.

**Ness Young**

Ness Young, CPFA  
Assistant Chief Executive - Performance and Section 151 Officer



# Notes to the Core Financial Statements 2011/12



**Contents for Notes to the Core Financial Statements**

<b>Note</b>		<b>Page Number</b>
1.	Adjustments between Accounting Basis and Funding Basis Under Regulations	49
2.	Precepts and levies	52
3.	Trading activities	52
4.	Revenue Support Grant	52
5.	Government Grants	53
6.	Council tax	53
7.	National Non-Domestic Rates (NNDR)	54
8.	Leases	54
9.	Private Finance Initiative (PFI)	56
10.	Section 33 NHS (Wales) Act 2006	57
11.	Minimum Revenue Provision	57
12.	Officers' Remuneration	58
13.	Members' Allowances	61
14.	External Audit Costs	61
15.	Group Accounts	61
16.	Related Party Transactions	61
17.	Amounts Reported for Resource Allocation Decisions	62
18.	Tangible Fixed Assets	68
19.	Investment Properties	74
20.	Heritage Assets	74
21.	Long term Debtors	74
22.	Short term Debtors	75
23.	Assets Held for Sale	75
24.	Short term Creditors	75
25.	Provisions	76
26.	PFI and Other Long Term Liabilities	77
27.	Usable Reserves	77
28.	Unusable Reserves	81
29.	Trust Funds	84
30.	Escrow Accounts	85
31.	Developers' Contributions	85
32.	Contingent Liabilities	86
33.	Pensions liabilities, IAS 19 disclosures	87
34.	Financial Instruments Disclosures	92
35.	Cash Flow Statement - Adjustments for Non-cash Movements	103
36.	Cash Flow Statement - Operating Activities	103
37.	Cash Flow Statement - Investing Activities	104
38.	Cash Flow Statement - Financing Activities	104
39.	Post Balance Sheet Events	104
	Glossary of Terms	105
	Audit Opinion	110

## **Notes to the Movement in Reserves Statement**

### **1. Adjustments between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

#### **Council Fund Balance**

This is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Council Fund Balance, which is not necessarily in accordance with proper accounting practice. The Council Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit or resources that the Council is required to recover) at the end of the financial year.

#### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

#### **Capital Grants Unapplied**

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The tables below detail the adjustments for 2010/11 for comparative purposes and the adjustments for 2011/12:-

# Statement of Accounts

2011/12

	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Short term Compensated Absences	Movement in Unusable Reserves
2010/11	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>										
<b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>										
Charges for Depreciation & Impairment of Non-Current Assets	22,205			22,205			(22,205)			(22,205)
Revaluation losses on Property, Plant & Equipment	1,160			1,160			(1,160)			(1,160)
Movement in market value of investment property	(342)			(342)			342			342
Movement in value of held for sale assets				-						-
Capital grant and contributions applied	(8,236)			(8,236)			8,236			8,236
Revenue Expenditure Funded from Capital under Statute	2,642			2,642			(2,642)			(2,642)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	129			129	(20)		(109)			(129)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,467)		1,467			-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Statutory Provision for the financing of capital investment	(6,169)			(6,169)			6,169			6,169
Capital expenditure charged against the Council Fund balance	(923)			(923)			923			923
<b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(326)		326	-						-
Application of grants to capital financing transferred to the Capital Adjustment Account			(132)	(132)			132			132
<b>Adjustments primarily involving the Capital Receipts Reserve</b>										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(743)	743		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(3,980)		(3,980)			3,980			3,980
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(205)			(205)				205		205
<b>Adjustments primarily involving the Pensions Reserve</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(38,880)			(38,880)		38,880				38,880
Employer's contributions to pension schemes	(16,600)			(16,600)		16,600				16,600
<b>Adjustments primarily involving the Accumulated Absences Account</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(237)			(237)					237	237
<b>Total Adjustments 2010/11</b>	<b>(46,525)</b>	<b>(3,237)</b>	<b>194</b>	<b>(49,568)</b>	<b>(1,487)</b>	<b>55,480</b>	<b>(4,867)</b>	<b>205</b>	<b>237</b>	<b>49,568</b>

# Statement of Accounts

2011/12

	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Short term Compensated Absences	Movement in Unusable Reserves
2011/12	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>										
<b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>										
Charges for Depreciation & Impairment of Non-Current Assets	22,888			22,888			(22,888)			(22,888)
Revaluation losses on Property, Plant & Equipment	2,163			2,163			(2,163)			(2,163)
Movement in market value of investment property	(280)			(280)			280			280
Capital grant and contributions applied	(17,694)			(17,694)			17,694			17,694
Revenue Expenditure Funded from Capital under Statute	1,276		16	1,292			(1,292)			(1,292)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	1,230			1,230	(541)		(689)			(1,230)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,361)		1,361			-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Statutory Provision for the financing of capital investment	(6,259)			(6,259)			6,259			6,259
Capital expenditure charged against the Council Fund balance	(775)			(775)			775			775
<b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	54		(54)	-						-
Application of grants to capital financing transferred to the Capital Adjustment Account			(243)	(243)			243			243
<b>Adjustments primarily involving the Capital Receipts Reserve</b>										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(711)	711		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(41)		(41)			41			41
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(204)			(204)				204		204
<b>Adjustments primarily involving the Pensions Reserve</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	20,510			20,510		(20,510)				(20,510)
Employer's contributions to pension schemes	(16,610)			(16,610)		16,610				16,610
<b>Adjustments primarily involving the Accumulated Absences Account</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	262			262					(262)	(262)
<b>Total Adjustments 2011/12</b>	<b>5,850</b>	<b>670</b>	<b>(281)</b>	<b>6,239</b>	<b>(1,902)</b>	<b>(3,900)</b>	<b>(379)</b>	<b>204</b>	<b>(262)</b>	<b>(6,239)</b>

## Notes to the Comprehensive Income and Expenditure Statement

## 2. Precepts and levies

Precepts are the amounts paid to non billing authorities (e.g. community councils) so that they can cover their expenses. Levies are the amounts payable when services are operated over areas covering more than one Authority, either on a joint service basis, where one Authority administers the service where other Authorities contribute to the costs, or by external bodies who levy on the appropriate Authorities. The amounts paid were as follows:

2010/11 £'000		2011/12 £'000
	<b>Precepts</b>	
7,525	South Wales Police Authority	7,978
1,461	Community Councils	1,471
<b>8,986</b>	<b>Sub total</b>	<b>9,449</b>
	<b>Levies</b>	
6,781	South Wales Fire and Rescue Authority	6,606
238	Coroners Service	254
128	Archive Service	119
2	Margam Crematorium Joint Committee	1
20	Swansea Bay Port Health Authority	20
<b>7,169</b>	<b>Sub total</b>	<b>7,000</b>
<b>16,155</b>	<b>Total</b>	<b>16,449</b>

## 3. Trading activities

The Authority has established trading activities which were previously subject to Compulsory Competitive Tendering legislation. The outturn for the Authority's trading activities are summarised as follows:

2010/11 Income £'000	2010/11 Exp. £'000	2010/11 Deficit/ (Surplus) £'000	Activity	2011/12 Income £'000	2011/12 Exp. £'000	2011/12 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
(5,877)	5,731	(146)	Sports and Recreation (Indoor)	(5,653)	5,617	(36)	64	(100)
(3,663)	3,640	(23)	Building Maintenance	(3,078)	3,033	(45)	(45)	-
(1,214)	1,149	(65)	Building Cleaning	(1,184)	1,086	(98)	(62)	(36)
(3,348)	3,312	(36)	Fleet Services	(3,378)	3,357	(21)	(53)	32
(5,354)	4,892	(462)	Highway Maintenance	(5,138)	4,676	(462)	(184)	(278)
-	-	-				-	-	-
<b>(19,456)</b>	<b>18,724</b>	<b>(732)</b>	<b>Transfer to I &amp; E Account</b>	<b>(18,431)</b>	<b>17,769</b>	<b>(662)</b>	<b>(280)</b>	<b>(382)</b>

The Sports and Recreation (Indoor) Service transferred to Halo Leisure on the 1 April 2012.

## 4. Revenue Support Grant

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2011/12 was £147.20m (£143.04m for 2010/11).

## 5. Government grants

In addition to the Revenue Support Grant, the Authority received the following specific government grants :-

2010/11 £'000	Specific Grants credited to Services	2011/12 £'000
41,589	Housing Benefit Subsidy	44,855
11,834	Council Tax Benefit Subsidy	12,506
7,759	DCELLS Grant	8,096
3,484	Foundation Phase Grants	4,157
2,262	PFI Grant	2,205
9,171	Other Children	5,349
1,346	Other Social Services	1,380
3,549	Others	3,156
3,941	Supporting People	3,936
1,773	Resettlement Grant	1,789
937	Substance Misuse Action Plan	963
2,602	Concessionary Fares Grant	2,765
1,628	Flying Start	1,617
3,108	Sustainable Waste Grant	3,068
1,193	Housing/Council Tax Benefit Administration	1,020
487	Local Transport Services	474
1,482	Communities First	1,270
2,653	Cymorth	1,553
<b>100,798</b>	<b>Total</b>	<b>100,159</b>

2010/11 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2011/12 £'000
1,383	Improvement Agreement Grant	1,385
8,562	Capital Grants & Contributions	17,640
<b>9,945</b>	<b>Total</b>	<b>19,025</b>
<b>110,743</b>		<b>119,184</b>

Grant income sits within the gross income column within services except for the Improvement Agreement Grant and capital grants and contributions.

## 6. Council tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands estimating 1 April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the South Wales Police Authority and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts - 49,444.62 dwellings for 2011/12 (48,970.69 in 2010/11). The average amount for a Band D property is £1,288.04 in 2011/12

(£1,240.56 in 2010/11 on average) and is multiplied by the proportion specified for the particular band to give the individual amount due.

Council Tax bills were based on the following multipliers for bands A\* to I and the number of properties in each band were as follows:

Band	A*	A	B	C	D	E	F	G	H	I
<b>Multiplier</b>	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
<b>Chargeable Dwellings</b>	24	10,034	14,722	13,548	9,211	6,653	3,731	1,305	280	83

Analysis of the net proceeds from Council Tax is as follows:

2010/11 £'000		2011/12 £'000
62,498	Council Tax Collectable	65,201
	Less:	
(1,461)	Payable to Community Councils	(1,471)
(7,525)	Payable to South Wales Police	(7,978)
(107)	Provision for non payment of Council Tax	(846)
<b>53,405</b>	<b>Net Proceeds from Council Tax</b>	<b>54,906</b>

**7. National Non-Domestic Rates (NNDR)**

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 42.8p in 2011/12 (40.9p in 2010/11). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back into local authorities on the basis of a fixed amount per head of population.

The Authority receives a contribution from the NNDR pool direct. The income from this should be reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £31.472m in 2011/12 (£37.667m in 2010/11).

**8. Leases**

Authority as Lessee

Finance Leases (excluding Private Finance Initiative)

Under IFRS, a number of leases for vehicles, plant and equipment have been reclassified as finance leases. These are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2011 £'000		31 March 2012 £'000
387	Vehicles, Plant & Equipment Finance Leases	234

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle, plant and equipment acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2011 £'000		31 March 2012 £'000
	Finance Lease Liabilities (Net Present Value of minimum lease payments) :-	
156	* current	153
248	* non-current	95
28	Finance Costs payable in future years	14
<b>432</b>	<b>Minimum lease payments</b>	<b>262</b>
170	Not later than one year	162
262	Later than one year	100
-	Later than five years	-
<b>432</b>	<b>Total</b>	<b>262</b>

#### Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are :-

31 March 2011 £'000		31 March 2012 £'000
2,066	Not later than one year	1,723
4,096	Later than one year	3,429
9,461	Later than five years	9,544
<b>15,623</b>	<b>Total</b>	<b>14,696</b>

Expenditure charged in the year to the Service areas was £2.052m made up of minimum lease payments of £1.364m and £0.689m for contingent rents (£2.429m in 2010/11 made up of £1.541m minimum lease payments and £0.888m contingent rents).

#### Authority as Lessor

##### Operating Leases

The Authority leases out property for economic purposes to provide affordable accommodation for local businesses. The future rentals receivable under operating leases are:-



31 March 2011 £'000		31 March 2012 £'000
130	Not later than one year	151
253	Later than one year	237
805	Later than five years	814
<b>1,188</b>	<b>Total</b>	<b>1,202</b>

### 9. Private Finance Initiative (PFI)

During the 2008/09 financial year, the Council commenced payment under the Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg that was entered into in 2007/08 and this arrangement will run until August 2033. There is a commitment of £30.5m (Net Present Value) over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Government, and Council/Delegated School resources.

The total unitary payment is divided into the service charge element, the repayment of the liability element and the interest element. The charges are shown below:-

2010/11 £'000	Unitary Charge	2011/12 £'000
523	Service Charge Element	550
1,593	Interest Element	1,566
353	Finance Lease Liability	381
<b>2,469</b>	<b>Total</b>	<b>2,497</b>

These payments will be made over the life of the PFI contract and estimates for subsequent years are as detailed below at current prices:-

Unitary Charge	2012/13 £'000	2013/14 to 2017/18 £'000	2018/19 to 2022/23 £'000	2023/24 to 2027/28 £'000	2028/29 to 2032/33 £'000	2033/34 to 2034/35 £'000
Service Charge Element	502	2,511	2,511	2,511	2,511	495
Interest Element	1,537	7,157	5,997	4,314	1,873	14
Finance Lease Liability	410	2,577	3,738	5,421	7,862	620
<b>Total</b>	<b>2,449</b>	<b>12,245</b>	<b>12,246</b>	<b>12,246</b>	<b>12,246</b>	<b>1,129</b>

The Council meets the costs of the Unitary Charge from its own resources and funding from the WG. The profile of funding from WG reduces annually until the expiry of the contract term whereas the unitary charge payable by the Authority increases annually over the same period. This results in a "surplus" of resources for PFI when compared to payments for the initial period of the contract period. These surplus amounts are set-aside in an earmarked reserve to fund the later part of the contract period where annual payments are greater than annual resources.

As at 31 March 2012, the balance on the PFI equalisation earmarked reserve is £2.171m (£1.647m as at 31 March 2011).

**10. Section 33 NHS (Wales) Act 2006**

Under Section 33 NHS (Wales) Act 2006 the following informal joint arrangements refer to joint working with Abertawe Bro Morgannwg University Local Health Board.

Total Expenditure 2010/11 £'000	Purpose of Partnership	Trust Expenditure £'000	BCBC Expenditure £'000	Total Expenditure 2011/12 £'000
661	Community Reablement Project	438	413	851
55	Intermediate Care Development Manager	-	28	28
266	Community Disability Rehabilitation Team	176	113	289
78	Transition to Adult Services	-	-	-
100	Health, Social Care & Well Being Strategy	39	61	100
1,160	<b>Total</b>	<b>653</b>	<b>615</b>	<b>1,268</b>

There are however some formal pooled budget arrangements between the Authority and the NHS Trust and these are detailed below :-

Partner	Purpose of Partnership	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Authority's Contribution £'000
Abertawe Bro-Morgannwg University Health Board	Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.	541	541	256
Abertawe Bro-Morgannwg University Health Board	Lead Commissioning from a Pooled Fund for procuring specified community equipment for eligible people within the Council's administrative area.	561	561	531

**11. Minimum Revenue Provision**

The Council is required by statute to set a prudent Minimum Revenue Provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2011/12 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Authority.

2010/11		2011/12
£'000		£'000
156,731	CFR 1 April	162,371
(21,362)	PFI School	(21,008)
(917)	Innovation Centre	(895)
(689)	Finance Leases	(404)
(82)	Factor A Adjustment	(82)
(4,473)	CFR Adj Para 19 2008	(9,016)
<b>129,208</b>	<b>Adjusted CFR</b>	<b>130,966</b>
5,168	MRP - 4%	5,239
353	PFI School - MRP Charge	381
22	Innovation Centre MRP Charge	24
285	Finance Leases MRP Charge	156
341	Unsupported Borrowing MRP	459
<b>6,169</b>	<b>Total MRP</b>	<b>6,259</b>

## 12. Officers' Remuneration

The number of employees (including teachers) whose remuneration, excluding pension contributions, was £60,000 or more for the year is as follows:

**Table 1 : Officers' Remuneration over £60k**

2010/11	Remuneration Band	Number of Employees				
		Movement in Bandings	2011/12 inc Redundancy Costs	2011/12 exc Redundancy Costs	Number of Teachers inc in Figures exc Redundancy	Number of Non-Teachers inc in Figures exc Redundancy
	£60,000 - £64,999	(4)	9	9	8	1
	£65,000 - £69,999	8	19	19	18	1
	£70,000 - £74,999	1	5	5	4	1
	£75,000 - £79,999	(1)	11	10	2	8
	£80,000 - £84,999	(1)	-	-	-	-
	£85,000 - £89,999	-	2	2	2	-
	£90,000 - £94,999	2	2	2	2	-
	£95,000 - £99,999	-	1	1	-	1
	£100,000 - £104,999	-	1	1	-	1
	£105,000 - £109,999	(2)	2	2	1	1
	£110,000 - £114,999	1	2	2	-	2
	£115,000 - £119,999	-	-	-	-	-
	£120,000 - £124,999	-	-	-	-	-
	£125,000 - £129,999	-	-	-	-	-
	£130,000 - £134,999	-	-	-	-	-
	£135,000 - £139,999	-	-	-	-	-
	£140,000 - £144,999	-	1	1	-	1
	£145,000 - £149,999	-	-	-	-	-
	£235,000 - £239,999	-	-	-	-	-
<b>51</b>		<b>4</b>	<b>55</b>	<b>54</b>	<b>37</b>	<b>17</b>

Within the Remuneration Bands are a number of senior employees of the Authority who have also been included in the following Table 2 : Senior Officers' Disclosure. This is a disclosure requirement to disclose individual remuneration details for all senior employees under the Accounts and Audit (Wales) (amendment) Regulations 2010. There are no Returning Officer payments included in the table below. This disclosure is shown in Table 2 below.

Table 2 : Senior Officers' Disclosure

Job Title	Salary		Expenses		Benefits in Kind		Pension Contributions		Total Remuneration including Pension Contributions	
	11/12	10/11	11/12	10/11	11/12	10/11	11/12	10/11	11/12	10/11
	£	£	£	£	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service	131,091	131,178	803	495	10,411	10,267	27,267	27,529	169,572	169,469
Corporate Director - Children	104,068	104,068	282	251	5,496	4,817	21,646	21,854	131,492	130,990
Corporate Director - Communities	104,068	101,857	268	266	8,829	8,987	21,646	21,390	134,811	132,500
Corporate Director - Wellbeing (see Note 1)	98,473	101,857	0	0	5,148	5,926	20,482	21,390	124,103	129,173
Assistant Chief Exec. - Performance & s151 Officer	101,857	93,120	740	423	8,012	7,641	21,186	19,555	131,795	120,739
Assistant Chief Executive - Legal & Regulatory Services	88,458	88,458	454	874	8,734	8,478	18,399	18,576	116,045	116,386

Table 3: Exit Packages Disclosure

The number of exit packages with total cost per band (£'s) and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	11/12	10/11	11/12	10/11	11/12	10/11	11/12	10/11
							£	£
£0 - £20,000	21	10	23	11	44	21	290,845	140,617
£20,001 - £40,000	7	-	5	2	12	2	337,239	48,006
£40,001 - £60,000	-	1	3	-	3	1	130,236	53,777
£60,001 - £80,000	1	-	2	1	3	1	199,960	68,877
£80,001 - £100,000	-	1	-	-	-	1	-	88,820
	29	12	33	14	62	26	958,280	400,097

**13. Members' allowances**

The expenditure on Members' allowances for 2011/12 was £1,063k (£1,060k in 2010/11). This is made up of basic allowances (£804k) and special responsibility allowances (£259k). Allowances paid are based in accordance with the statutory 'Guidance on the Local Authorities (Allowances for Members of County and County Borough Councils and National Park Authorities) (Wales) Regulations 2002', which is produced by the Welsh Government.

**14. External audit costs**

In 2011/12 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2010/11 £'000		2011/12 £'000
210	Financial Statement Audit	198
160	Performance Audit	140
<b>370</b>	<b>External Audit Services</b>	<b>338</b>
-	Statutory Inspection	-
90	Grant Claims and Returns	90
<b>460</b>	<b>Total</b>	<b>428</b>

**15. Group accounts**

The Council has interests in Groundwork Bridgend and Neath Port Talbot (Associate Company) and Mid Glamorgan Enterprise Company (Subsidiary Company). Mid Glamorgan Enterprise Company is a dormant company. Groundwork Bridgend and Neath Port Talbot Limited is a company limited by guarantee and registered charity whose objectives are to promote conservation and provide facilities in the interests of social welfare for recreation and leisure time occupation. Bridgend CBC has insufficient management influence or financial liability (£1) with Groundwork Bridgend and Neath Port Talbot to require consolidation to the accounts. Neither of these interests are considered to be material and consolidated accounts have not been prepared.

**16. Related party transactions**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

**Welsh Government**

Welsh Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in Notes 4 and Note 5 above.

**Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 13. Grants were made to organisations whose senior management included members including Groundwork Bridgend and Neath Port Talbot £47.5k in 2011/12 (£47.5k in 2010/11), Bridgend County Borough Citizens Advice Bureau £228.69k (Bridgend Citizens Advice Bureau £133k in 2010/11) and Maesteg Citizens Advice Bureau £106k in 2010/11) and Bridgend Association of Voluntary Organisations £117k in 2011/12 (£117k in 2010/11). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest.

**Chief Officers**

During 2011/12, no chief officer declared any material interests/relationships in a related party. This was the same in 2010/11.

**Joint Committees****Glamorgan Archives Joint Committee**

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. During 2011/12, the Council contributed to the Joint Committee an amount of £119k (£128k in 2010/11). This was calculated proportionately based upon population.

**Coychurch Crematorium**

Coychurch Crematorium is subject to the control of a Joint Committee of Members from Bridgend CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan CBC.

**County Borough Supplies**

County Borough Supplies is administered by the Council and supplies goods such as stationery. It is a Joint Committee with Members from Bridgend CBC, Rhondda Cynon Taf CBC, Merthyr Tydfil CBC and Caerphilly CBC.

**Other Public Bodies**

The Authority has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 9.

**17. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation

Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Authority's principal Directorates recorded in the budget reports for the comparative year (2010/11) is as follows:



## Statement of Accounts

2011/12

Directorate Income and Expenditure 2010/11	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(14,448)	(21,589)	(18,073)	(17,726)	(71,836)
Government grants	(25,515)	(5,898)	(13,749)	(55,636)	(100,798)
<b>Total Income</b>	<b>(39,963)</b>	<b>(27,487)</b>	<b>(31,822)</b>	<b>(73,362)</b>	<b>(172,634)</b>
Employee expenses	101,580	33,529	17,187	23,373	175,669
Other operating expenses	54,053	36,940	40,538	72,410	203,941
<b>Total operating expenses</b>	<b>155,633</b>	<b>70,469</b>	<b>57,725</b>	<b>95,783</b>	<b>379,610</b>
<b>Net Cost of Services</b>	<b>115,670</b>	<b>42,982</b>	<b>25,903</b>	<b>22,421</b>	<b>206,976</b>

Directorate Income and Expenditure 2011/12	Children £'000	Wellbeing £'000	Communities £'000	Chief Exec £'000	Total £'000
Fees, charges & other service income	(15,556)	(21,719)	(16,371)	(16,396)	(70,042)
Government grants	(21,509)	(4,708)	(12,683)	(59,097)	(97,997)
<b>Total Income</b>	<b>(37,065)</b>	<b>(26,427)</b>	<b>(29,054)</b>	<b>(75,493)</b>	<b>(168,039)</b>
Employee expenses	104,472	31,732	16,685	22,208	175,097
Other operating expenses	49,975	37,245	37,421	75,200	199,841
					-
<b>Total operating expenses</b>	<b>154,447</b>	<b>68,977</b>	<b>54,106</b>	<b>97,408</b>	<b>374,938</b>
<b>Net Cost of Services</b>	<b>117,382</b>	<b>42,550</b>	<b>25,052</b>	<b>21,915</b>	<b>206,899</b>

**Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

The below reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement for the comparative year :-

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>		
Cost of Services in Service Analysis	<b>206,899</b>	<b>206,976</b>
Add services not included in main analysis	5,224	5,032
Add amounts not reported to management	23,122	(39,992)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(838)	(808)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>234,407</b>	<b>171,208</b>

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement :-

# Statement of Accounts

2011/12

Reconciliation to Subjective Analysis 2010/11	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I & E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(71,836)	(6,690)	-	19,456	(59,070)	(19,456)	(78,526)
Interest and investment income	-	-	-	-	-	(490)	(490)
Income from council tax	-	-	-	-	-	(62,498)	(62,498)
Government grants and contributions	(100,798)	-	-	-	(100,798)	(190,648)	(291,446)
<b>Total Income</b>	<b>(172,634)</b>	<b>(6,690)</b>	<b>-</b>	<b>19,456</b>	<b>(159,868)</b>	<b>(273,092)</b>	<b>(432,960)</b>
Employee expenses	175,669	-	(65,077)	-	110,592	9,360	119,952
Other service expenses	203,941	11,722	-	(18,724)	196,939	18,724	215,663
Depreciation, amortisation and impairment	-	-	25,085	-	25,085	-	25,085
Interest Payments	-	-	-	(1,540)	(1,540)	6,370	4,830
Precepts & Levies	-	-	-	-	-	16,155	16,155
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(956)	(956)
<b>Total Expenditure</b>	<b>379,610</b>	<b>11,722</b>	<b>(39,992)</b>	<b>(20,264)</b>	<b>331,076</b>	<b>49,653</b>	<b>380,729</b>
<b>Surplus or deficit on the provision of services</b>	<b>206,976</b>	<b>5,032</b>	<b>(39,992)</b>	<b>(808)</b>	<b>171,208</b>	<b>(223,439)</b>	<b>(52,231)</b>

## Statement of Accounts

2011/12

Reconciliation to Subjective Analysis 2011/12	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I&E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(70,042)			18,431	(51,611)	(18,431)	(70,042)
Interest and investment income	-				-	(601)	(601)
Income from council tax	-				-	(65,201)	(65,201)
Government grants and contributions	(97,997)	(5,739)			(103,736)	(197,693)	(301,429)
<b>Total Income</b>	<b>(168,039)</b>	<b>(5,739)</b>	<b>-</b>	<b>18,431</b>	<b>(155,347)</b>	<b>(281,926)</b>	<b>(437,273)</b>
Employee expenses	175,097	403	(2,428)		173,072	6,590	179,662
Other service expenses	199,841	10,560		(17,769)	192,632	17,769	210,401
Depreciation, amortisation and impairment	-		25,550		25,550		25,550
Interest Payments	-			(1,500)	(1,500)	6,351	4,851
Precepts & Levies	-				-	16,449	16,449
Gain or Loss on Disposal of Fixed Assets	-				-	239	239
<b>Total Expenditure</b>	<b>374,938</b>	<b>10,963</b>	<b>23,122</b>	<b>(19,269)</b>	<b>389,754</b>	<b>47,398</b>	<b>437,152</b>
<b>Surplus or deficit on the provision of services</b>	<b>206,899</b>	<b>5,224</b>	<b>23,122</b>	<b>(838)</b>	<b>234,407</b>	<b>(234,528)</b>	<b>(121)</b>

## Notes to the Balance Sheet

## 18. Tangible Fixed Assets

a) Capital commitments

As at 31 March 2012 commitments of approximately £51m existed on capital works contracts started before that date, details of which are shown in the table below.

2010/11		2011/12
£'000		£'000
	Porthcawl Regeneration	2,734
	Bridgend Town Centre Regeneration	7,369
	Maesteg Regeneration	2,421
	Highways Infrastructure Local Govt Borrowing Initiative	2,260
	Refurbishment Requirements Healthy Living Partnership	3,000
-	Gateway to the Valleys	26,697
	Pen y Fai Primary School	5,185
2,267	Litchard Primary Amalgamation	460
147	Bryncethin School Amalgamation	799
	Coety / Parc Derwen Primary School	400
710	Tremains Primary Amalgamation	153
1,543	Archbishop McGrath New Comprehensive	-
853	Bridgend Day Centre & Localised Bases	-
400	Mynydd Cynffig Amalgamation	-
370	Brackla Primary Amalgamation School	-
143	Bryntirion School Amalgamation	-
<b>6,433</b>	<b>Total</b>	<b>51,478</b>

b) Notes on Fixed AssetsVoluntary-aided & Voluntary-controlled Schools

The Authority recognises its only Voluntary-controlled School on its Balance Sheet. This is Pen-y-Fai Church in Wales Primary School. The four voluntary-aided primary schools and one voluntary-aided comprehensive school are not assets of the Authority and therefore not included in the Balance Sheet. The status of Voluntary Aided, Voluntary Controlled and Foundation Schools will be reviewed in 2012/13 if guidance is given in the Code 2012/13.

Numbers of fixed assets by type

<b>Category</b>	<b>Number as at 31 March 2011</b>	<b>Number as at 31 March 2012</b>
Schools	66	66
Other educational establishments	7	8
Libraries	8	8
Car parks	14	14
Cemeteries and buildings	20	20
Crematoria	1	1
Reclaimed land	18	18
Markets	2	2
Shops	9	9
Public conveniences	16	16
Nature reserves	1	1
Social Services establishments	27	29
Bus stations	2	2
Sports pavilions	41	41
Recreation grounds & parks	17	17
Recreation & entertainment centres	12	12
Community centres	16	16
Swimming pools	6	6
Industrial estates	23	23
Civic offices	2	2
Other offices	5	5
Depots	8	8
Vehicles	53	48
Vehicles - on Finance Leases	81	81
Miscellaneous assets	25	23
	<b>480</b>	<b>476</b>

# Statement of Accounts

2011/12

c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
<b>Cost or Valuation</b>									
At 1 April 2010	404,180	19,677	167,605	3,281	15,155	6,045	615,943	22,744	1,180
Heritage Asset Restatement				(20)			(20)		
<b>Restated as at 1 April 2010</b>	<b>404,180</b>	<b>19,677</b>	<b>167,605</b>	<b>3,261</b>	<b>15,155</b>	<b>6,045</b>	<b>615,923</b>	<b>22,744</b>	<b>1,180</b>
Additions	8,013	997	4,099	-	204	9,281	22,594	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,557)	-	-	-	-	-	(4,557)	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,165)	-	-	-	-	-	(1,165)	-	-
Derecognition - disposals	-	(534)	-	-	-	-	(534)	-	-
Assets Reclassified (to)/from Held for Sale	(2,009)	-	-	-	(100)	-	(2,109)	-	-
Assets Reclassified (to)/from Assets under Construction	1,226	-	-	61	-	(1,227)	60	-	-
<b>At 31 March 2011</b>	<b>405,688</b>	<b>20,140</b>	<b>171,704</b>	<b>3,322</b>	<b>15,259</b>	<b>14,099</b>	<b>630,212</b>	<b>22,744</b>	<b>1,180</b>
<b>Accumulated Depreciation and Impairments</b>									
At 1 April 2010	(12,835)	(14,747)	(65,808)	(37)	(143)	-	(93,570)	(239)	(512)
Depreciation Charge for 2010/11	(6,908)	(1,250)	(9,604)	-	(143)	-	(17,905)	(239)	(281)
Depreciation written out to the Revaluation Reserve	61	-	-	-	-	-	61	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	82	-	-	-	-	-	82	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(944)	-	-	-	-	-	(944)	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,650)	-	(1,265)	-	(460)	-	(4,375)	-	-
Derecognition - disposals	-	531	-	-	-	-	531	-	-
Assets Reclassified (to)/from Held for Sale	64	-	-	-	4	-	68	-	-
<b>At 31 March 2011</b>	<b>(23,130)</b>	<b>(15,466)</b>	<b>(76,677)</b>	<b>(37)</b>	<b>(742)</b>	<b>-</b>	<b>(116,052)</b>	<b>(478)</b>	<b>(793)</b>
<b>Balance Sheet as at 1 April 2010</b>	<b>391,345</b>	<b>4,930</b>	<b>101,797</b>	<b>3,244</b>	<b>15,012</b>	<b>6,045</b>	<b>522,373</b>	<b>22,505</b>	<b>668</b>
<b>Balance Sheet as at 31 March 2011</b>	<b>382,558</b>	<b>4,674</b>	<b>95,027</b>	<b>3,285</b>	<b>14,517</b>	<b>14,099</b>	<b>514,160</b>	<b>22,266</b>	<b>387</b>

# Statement of Accounts

2011/12

	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
<b>Cost or Valuation</b>									
At 1 April 2011	405,688	20,140	171,704	3,322	15,259	14,099	630,212	22,744	1,180
Additions	2,542	703	3,581	-	-	16,809	23,635	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,010	-	-	-	202	-	1,212	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,036)	-	-	-	(127)	-	(2,163)	-	-
Derecognition - disposals	(199)	(88)	-	-	-	-	(287)	-	-
Assets Reclassified (to)/from Held for Sale	(8)	-	-	-	(376)	-	(384)	-	-
Assets Reclassified (to)/from Assets under Construction	12,620	-	-	-	-	(12,620)	-	-	-
Other Movements	(133)	-	-	-	(3)	-	(136)	-	-
<b>At 31 March 2012</b>	<b>419,484</b>	<b>20,755</b>	<b>175,285</b>	<b>3,322</b>	<b>14,955</b>	<b>18,288</b>	<b>652,089</b>	<b>22,744</b>	<b>1,180</b>
<b>Accumulated Depreciation and Impairments</b>									
At 1 April 2011	(23,130)	(15,466)	(76,677)	(37)	(742)	-	(116,052)	(478)	(793)
Depreciation Charge for 2011/12	(7,193)	(1,300)	(9,768)	-	(128)	-	(18,389)	(239)	(153)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(683)	-	-	-	-	-	(683)	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,417)	(28)	(1,054)	-	-	-	(4,499)	-	-
Derecognition - disposals	4	88	-	-	-	-	92	-	-
Other Movements in Depreciation and Impairments	133	-	-	-	3	-	136	-	-
<b>At 31 March 2012</b>	<b>(34,286)</b>	<b>(16,706)</b>	<b>(87,499)</b>	<b>(37)</b>	<b>(867)</b>	<b>-</b>	<b>(139,395)</b>	<b>(717)</b>	<b>(946)</b>
<b>Balance Sheet as at 1 April 2011</b>	<b>382,558</b>	<b>4,674</b>	<b>95,027</b>	<b>3,285</b>	<b>14,517</b>	<b>14,099</b>	<b>514,160</b>	<b>22,266</b>	<b>387</b>
<b>Balance Sheet as at 31 March 2012</b>	<b>385,198</b>	<b>4,049</b>	<b>87,786</b>	<b>3,285</b>	<b>14,088</b>	<b>18,288</b>	<b>512,694</b>	<b>22,027</b>	<b>234</b>



d) Fixed asset valuation

The freehold and leasehold properties of Bridgend County Borough Council were valued as at 1 April 2009 by Alder King Chartered Surveyors in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Fixed Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies.

e) Assets held under finance leases

A number of assets have been reclassified as finance leases under IFRS. There are additional notes on these within the Statement of Accounts.

f) Sources of finance for Capital Expenditure

2010/11		2011/12
£'000		£'000
11,812	Loans	6,064
12,492	Government grants	21,020
3,913	Capital receipts	-
923	Revenue contribution	775
822	Other contribution	445
<b>29,962</b>	<b>Total</b>	<b>28,304</b>

g) Revenue Expenditure Funded from Capital under Statute

These relate to capital expenditure that does not result in a tangible fixed asset. They include renovation grants and contributions towards capital expenditure incurred by other parties.

2010/11		2011/12
£'000		£'000
7,368	Revenue Expenditure Funded from Capital under Statute	4,778
<b>7,368</b>	<b>Total</b>	<b>4,778</b>

## h) Capital financing requirement and the financing of capital expenditure

2010/11 £'000	Capital Financing Requirement	2011/12 £'000
156,729	Opening Capital Financing Requirement	162,371
	<b>Capital Investment</b>	
22,594	Property, Plant and Equipment	23,635
	Investment Properties	
7,368	Revenue Expenditure Funded from Capital under Statute	4,778
	<b>Sources of Finance</b>	
(13,204)	Grants & Contributions	(21,531)
(4,024)	Capital receipts applied	(41)
(923)	Revenue Contributions	(775)
(5,168)	Minimum Revenue Provision	(5,239)
(341)	Unsupported Borrowing MRP	(459)
(285)	Finance Leases MRP	(156)
(22)	Innovation Centre MRP	(24)
(353)	PFI School MRP	(381)
<b>162,371</b>	<b>Closing Capital Financing Requirement</b>	<b>162,178</b>
	<b>Explanation for Movements in Year</b>	
2,101	Increase in Underlying Need to Borrow (supported by government financial assistance)	108
4,201	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	260
(307)	Assets acquired under finance lease	(180)
(353)	Assets acquired under PFI Contract	(381)
<b>5,642</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(193)</b>

i) Capital Grants Received in Advance

The table below shows the breakdown of capital grants received in advance:-

2010/11 £'000		2011/12 £'000
1,533	Developers' Contributions - capital element	2,222
85	Other Capital Grants & Contributions	169
<b>1,618</b>	<b>Total</b>	<b>2,391</b>

**19. Investment Properties**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2010/11 £'000		2011/12 £'000
600	Rental Income from Investment Property	527
(150)	Direct Operating Expenses arising from Investment Property	(163)
<b>450</b>	<b>Net gain/(loss)</b>	<b>364</b>

The following table summaries the movement in the fair value of investment properties over the year:-

2010/11 £'000		2011/12 £'000
2,813	<b>Balance at 1 April</b>	3,094
341	Net gain from fair value adjustments	280
(60)	Transfers to Property, Plant and Equipment	-
<b>3,094</b>	<b>Balance as at 31 March</b>	<b>3,374</b>

**20. Heritage Assets**

2010/11 £'000		2011/12 £'000
51	Civic Regalia	51
<b>51</b>	<b>Balance as at 31 March</b>	<b>51</b>

**21. Long term debtors**

The Long Term Debtors figure is detailed below. It consists of the value of long term loans made by the Council to former tenants and private households for mortgages (£80k) and a Finance Lease for vehicles (£618k) linked to the waste contract.

2010/11 £'000		2011/12 £'000
116	Mortgages	80
727	Finance Leases	618
<b>843</b>	<b>Balance as at 31 March</b>	<b>698</b>

**22. Short Term Debtors**

This represents the monies owed to the Council after making provision for debts that might not be recovered. The main debtors are listed below:

2010/11 £'000	Short-term Debtors	2011/12 £'000
15,425	Central Government Bodies	18,064
980	Other Local Authorities	453
876	NHS Bodies	416
10,509	Other Entities and Individuals	10,121
<b>27,790</b>	<b>Balance as at 31 March</b>	<b>29,054</b>

The Authority collects NNDR payments on behalf of Welsh Government. As at the 31 March 2012, the Authority had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £5.403m. The equivalent for 2010/11 was a debtor of £5.537m which represented monies not yet paid over to Welsh Government.

**23. Assets Held for Sale**

2010/11 £'000	Assets Held for Sale	2011/12 £'000
-	Balance at 1 April	1,915
2,041	Assets newly classified as held for sale: Property, Plant & Equipment	1,384
-	Assets declassified as held for sale: Property, Plant & Equipment	(1,000)
(126)	Assets Sold	(1,035)
<b>1,915</b>	<b>Balance as at 31 March</b>	<b>1,264</b>

**24. Short Term Creditors**

These represent monies owed by the Council and are analysed as follows:

2010/11 £'000	Short Term Creditors	2011/12 £'000
(6,003)	Central Government Bodies	(10,924)
(924)	Other Local Authorities	(1,113)
(404)	NHS Bodies	(208)
(29,457)	Other Entities and Individuals	(37,358)
<b>(36,788)</b>	<b>Balance as at 31 March</b>	<b>(49,603)</b>

## 25. Provisions

The Authority has a number of provisions as detailed below:

2010/11		Expenditure	Increase	2011/12
£'000		£'000	£'000	£'000
2,640	Insurance (BCBC)	(312)	1,792	4,120
15,642	Equal Pay	(15,724)	1,518	1,436
700	Waste Disposal	(50)	-	650
-	Carbon Reduction Commitment	-	223	223
<b>18,982</b>	<b>Balance as at 31 March</b>	<b>(16,086)</b>	<b>3,533</b>	<b>6,429</b>

Insurance Provision

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liability for policy years 2000-01 to 2008-09 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional buffer amount to the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

Municipal Mutual Insurance (MMI) Limited

Prior to local government reorganisation the former Ogwr Borough Council and Mid Glamorgan County Council's insurance cover was provided by Municipal Mutual Insurance Limited. When this company hit severe financial difficulties both became a creditor under the Scheme of Arrangement, accepting liability to return to MMI some proportion of historical claim payments received from MMI if the Scheme were to trigger. This could happen at any point at which the MMI Directors decide that there is no reasonable prospect of avoiding insolvent liquidation. Judgement was handed down by the Supreme Court in the "Employers Liability Trigger Litigation" on 28 March 2012. The Supreme Court found against MMI. The result is that the latest report and accounts assume that MMI will ultimately become insolvent which means that the scheme could now trigger at any point. The Board of Directors is seeking legal, financial and actuarial advice from its professional advisors in order to determine the full implications of the judgement. Within the Insurance Provision above, £1.8m relates to MMI Limited.

Equal Pay / Pay Protection

This provision includes the anticipated costs of any valid equal pay claims which may be received and an estimated amount for pay protection related to Job Evaluation. There were significant equal pay settlements agreed towards the end of the financial year and further settlements will be made in 2012/13.

Waste Disposal

The balance of the waste disposal liability of £650k will be paid at £50k per annum over the next thirteen years.

Carbon Reduction Commitment Energy Efficiency Scheme

This provision represents the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2011/12. The payment will be made with the retrospective purchase of allowances in the summer 2012.

**26. PFI and Other Long Term Liabilities**

2010/11 £'000		Additions in Year £'000	Moved to Short Term Creditors £'000	2011/12 £'000
20,628	Maesteg School PFI Lease Liability	-	(410)	20,218
501	Invest to Save Loan	-	(501)	-
871	Innovation Centre Financial Liability	-	(26)	845
248	Finance Lease Liability	-	(153)	95
<b>22,248</b>	<b>Balance as at 31 March</b>	<b>-</b>	<b>(1,090)</b>	<b>21,158</b>

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Authority's Balance Sheet being £21.898m (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2011/12, the amount written down was £381k and £410k has been transferred to Short Term Creditors leaving an outstanding liability of £20.218m at year end.

The Invest to Save Loans totalling £501k have been transferred to Short Term Creditors as they are due to be repaid to the Welsh Government in 2012/13.

The Innovation Centre Financial Liability of £0.917m was recognised in 2009/10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount written down in 2011/12 was £24k and £26k was transferred to Short Term Creditors resulting in a financial liability of £0.845m at 31 March 2012.

The liability for finance leases at year end of £0.095m relates to leases for vehicles, plant and equipment classed as operating leases under UK GAAP being reclassified as finance leases to meet IFRS requirements.

**27. Usable Reserves**

The following notes detail the Usable Reserves of the Authority:-

**a) Useable capital receipts reserve**

This represents capital receipts available to finance capital expenditure in future years.

2010/11 £'000		2011/12 £'000
14,984	<b>Balance at 1 April</b>	11,607
636	Capital Receipts Received	711
44	Mortgage repayments (Council Fund)	36
(34)	Previous Year's De-minimis	-
(110)	Receipts adjustment previous year's financing	(41)
(3,913)	Receipts Used to Finance Capital Expenditure	0
<b>11,607</b>	<b>Balance as at 31 March</b>	<b>12,313</b>

## b) Revenue reserves

The revenue reserves in the Balance Sheet as at 31 March 2012 are detailed below with descriptions of what they represent:-

Opening Bal 2010/11 £'000	Move- ment 2010/11 £'000	Closing Bal 2010/11 £'000	Reserve	Move- ment 2011/12 £'000	Closing Bal 2011/12 £'000
7,141	17	7,158	<b>Council Fund Balance</b>	41	7,199
4,258	261	4,519	<b>Delegated Schools Balance</b>	(506)	4,013
1,067	580	1,647	<b>Maesteg School PFI Equalisation Fund</b>	524	2,171
			<b>Earmarked Balances :-</b>		
5,522	1,988	7,510	Major Claims Reserve	4,759	12,269
1,771	300	2,071	Insurance reserve	(1,359)	712
-	1,000	1,000	Service Reconfiguration / New Burdens	200	1,200
-	715	715	Looked After Children	(15)	700
653	-	653	Mid Glam CC post balance sheet events	(132)	521
644	-	644	Treasury Management Reserve		644
59	502	561	Wellbeing Projects Reserve	334	895
-	400	400	Connecting Families	(86)	314
526	(133)	393	Financial & HR systems / processes	(28)	365
-	280	280	Welfare Reform Bill	220	500
-	-	-	Economic Downturn	400	400
281	(25)	256	Asset Management Plan	39	295
-	250	250	Car Parking Strategy	209	459
200	50	250	Election costs	50	300
285	(36)	249	Building Maintenance Reserve	659	908
442	(197)	245	Change management	168	413
400	(200)	200	Invest to save	653	853
100	100	200	Capital feasibility fund	-	200
216	(51)	165	Porthcawl regeneration	(22)	143
-	70	70	Condition Surveys	(70)	-
60	-	60	Unitary Development Plan	(32)	28
-	60	60	Internal Audit Shared Services	(60)	-
-	37	37	Regeneration Match Funding	15	52
30	(5)	25	Supporting People Review		25
271	(257)	14	Maesteg school PFI	10	24
<b>11,460</b>	<b>4,848</b>	<b>16,308</b>	<b>Balance as at 31 March</b>	<b>5,912</b>	<b>22,220</b>
<b>23,926</b>	<b>5,706</b>	<b>29,632</b>		<b>5,971</b>	<b>35,603</b>

The transfer to all Earmarked Balances excluding the Council Fund Balance was £5.930m in 2011/12 (£5.689m in 2010/11) and represents a charge to the Net Cost of Services within the Comprehensive Income and Expenditure Statement. This includes money transferred into the Comprehensive Income and Expenditure Statement to match expenditure within the year and amounts set aside from revenue reserves in 2011/12 to be utilised in future years to finance expenditure.

#### i) Delegated School Balances

These balances represent the cumulative effect of over and under-spending on school delegated budgets not available to the Council.

##### Analysis of Delegated Schools Balance

2010/11 Closing Balance £'000		2011/12 Over spends £'000	2011/12 Under spends £'000	2011/12 Closing Balance £'000
107	Nursery Schools	-	37	144
1775	Primary Schools	(523)	335	1,587
2147	Secondary Schools	(734)	210	1,623
490	Special Schools	(209)	378	659
<b>4,519</b>	<b>Balance as at 31 March</b>	<b>(1,466)</b>	<b>960</b>	<b>4,013</b>

#### ii) Maesteg School PFI Equalisation Fund

As outlined in note 11 above, there is a need for an Equalisation Fund for the Unitary Charges received from Welsh Government as detailed below:-

2010/11 £'000	Maesteg School PFI Accounts	2011/12 £'000
(1,647)	Maesteg PFI Equalisation Fund	(2,171)
<b>(1,647)</b>	<b>Balance as at 31 March</b>	<b>(2,171)</b>

#### iii) Other Earmarked Balances

Accounting regulations require the Council to make adequate provision for all known potential liabilities. Any shortfall in these reserves will have to be met from the Council Fund Balance. These are detailed below:-

- Major Claims Earmarked Reserve  
This reserve has been created to mainly cover the deficit on the pension fund and major capital contractual claims.
- Insurance reserve  
This reserve is based on the assessment for future liabilities from the actuary.



- Other Reserves  
There are a number of other reserves as detailed below:-
  - i. Welfare Reform Act  
This reserve has been established to fund the potential impact of increases in demand for services resulting from the Welfare Reform Act.
  - ii. Building Maintenance Reserve  
This reserve is for planned maintenance expenditure on the Council's buildings.
  - iii. Election Costs  
The reserve has been established to fund costs associated with the Local Elections held in May 2012.
  - iv. Capital feasibility fund  
This fund has been established to fund studies for proposed capital projects.
- Service Reconfiguration / New Burdens  
This has been established to meet potential costs relating to service remodelling and new burdens resulting from changes in legislation.
- Looked After Children Reserve  
This reserve has been established to provide for the continuing pressures on the Looked After Children budget within Children's Services.
- Reserve for former MGCC liabilities  
This covers the potential liabilities arising out of the former Mid Glamorgan County Council. Information received from Rhondda Cynon Taff County Borough Council in 2012 has confirmed that the balance on this reserve can be reduced to £0.521m.
- Treasury Management  
This reserve has been set up to cover unforeseen treasury management liabilities.
- Wellbeing Projects  
This has been established to allow one off injections of financial resources into service areas to facilitate change/development.
- Connecting Families  
This reserve will be used as the Authority's contribution to the Connecting Families project. This is a multi agency team which through collaboration across public service organisations seeks to improve outcomes for families and target resources more effectively.
- Financial & HR Systems / Processes  
This reserve will fund the costs of planned system developments in 2012/13 to 2013/14.
- Asset Management Plan

This has been established to meet the on-going costs of CAD Plans and condition surveys.

- Car Parking Strategy  
This reserve has been established for the up front costs associated with new initiatives to generate income or reduce costs in relation to car parking.
- Change management  
This reserve will meet potential costs associated with corporate organisational developments to facilitate and progress change.
- Invest to save  
This fund has been established to meet the costs of approved 'invest to save' initiatives. The fund will be reimbursed by savings made as a result of these initiatives.
- Porthcawl Regeneration  
This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.

**28. Unusable Reserves**

The following notes detail the Unusable Reserves of the Authority:-

**a) Revaluation Reserve (RR)**

This reserve stores the accumulated gains on fixed assets held by the authority arising from increases in value as a result of inflation or other factors.

2010/11		2011/12	
£'000		£'000	£'000
112,779	<b>Balance at 1 April</b>		105,883
31	Heritage Assets		
<b>112,810</b>	<b>Balance at 1 April Revised</b>		<b>105,883</b>
	Upward Revaluation of Assets	1,574	
	Downward Revaluation of Assets and Impairment		
(5,440)	Losses not charged to the Surplus/Deficit on the Provision of Services	(1,045)	
<b>(5,440)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services</b>		529
(1,467)	Difference between fair value depreciation and historical cost depreciation	(1,361)	
(20)	Accumulated gains on assets sold or scrapped	(541)	
(1,487)	Amount written off to the Capital Adjustment Account		(1,902)
<b>105,883</b>	<b>Balance as at 31 March</b>		<b>104,510</b>

**b) Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £'000		2011/12 £'000
(291,290)	<b>Balance at 1 April</b>	(226,110)
9,700	Actuarial gains or losses on pensions assets and liabilities	(57,110)
38,880	Reversal of Items relating to Retirement Benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(20,510)
16,600	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	16,610
<b>(226,110)</b>	<b>Balance as at 31 March</b>	<b>(287,120)</b>

**c) Capital Adjustment Account (CAA)**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

**Capital Adjustment Account (CAA)**

2010/11 £'000		2011/12	
		£'000	£'000
256,670	<b>Balance at 1 April</b>		251,809
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>		
(22,205)	Charges for depreciation and impairment of non-current assets	(22,888)	
(1,160)	Revaluation losses on Property, Plant and Equipment	(2,163)	
(2,642)	Revenue Expenditure funded from Capital Under Statute	(1,292)	
(44)	Other amounts including Mortgage Payments	(36)	
	Financial Liability Adjustment to Capital Receipts		
(129)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,231)	
<b>(26,180)</b>		<b>(27,610)</b>	
1,487	Adjusting amounts written out to the Revaluation Reserve		1,902
<b>(24,693)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(25,708)</b>
	<b>Capital financing applied in the year:</b>		
4,024	Use of the Capital Receipts Reserve to finance capital expenditure	41	
8,242	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	17,694	
132	Application of grants to capital financing from the Capital Grants Unapplied Account	243	
6,169	Statutory provision for the financing of capital investment charged against the Council Fund	6,259	
923	Capital expenditure charged against the Council Fund	775	
<b>19,490</b>			<b>25,012</b>
342	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		280
<b>251,809</b>	<b>Balance as at 31 March</b>		<b>251,393</b>

d) **Financial Instruments Adjustment Account (FIAA)**

This holds the difference between the amounts charged to income and expenditure in accordance with the Statement of Recommended Practice for applying the transaction costs and assessing the fair cost of loan debts and investments and the amounts charged to the Council Fund Balance in accordance with statute.

2010/11 £'000		2011/12	
		£'000	£'000
(6,140)	<b>Balance at 1 April</b>		(5,936)
198	Premiums / Discounts Adjustments	199	
6	Loans / Investments Adjustments	6	
<b>(5,936)</b>	<b>Balance as at 31 March</b>		<b>(5,731)</b>

e) **Short Term Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2010/11 £'000		2011/12	
		£'000	£'000
(3,965)	<b>Balance at 1 April</b>		(3,728)
3,965	Settlement or cancellation of accrual made at the end of the proceeding year	3,728	
(3,728)	Amounts accrued at the end of the current year	(3,990)	
237	Amounts by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements		(262)
<b>(3,728)</b>	<b>Balance as at 31 March</b>		<b>(3,990)</b>

29. **Trust funds**

The authority administers Trust Funds, which are mainly of an educational or recreational nature. A large proportion of the balances are invested in the Authority's internal balances. The Trust Funds do not represent assets of the Council and are accounted for separately. The principal categories of funds and balances as at 31 March 2012 are:

2010/11 £'000		2011/12 £'000
84	Social Services Home For The Elderly	83
55	Education	54
47	Nantymoel Workmans Hall	47
1	Other	1
<b>187</b>	<b>Balance as at 31 March</b>	<b>185</b>

### 30. Escrow accounts

As part of a planning condition relating to the sale of land to Asda previously used by Bridgend Town Football Club, the Authority held £1 million in escrow accounts at the start of the financial year. During the year, payments have been made and together with accrued interest during the year the value of the funds as at 31 March 2012 are £769k for the replacement of facilities and £239k for the replacement site. There are also escrows accounts of £52k recognised for Bocam Park and £121k for Wind Farms at Forch Ness and Pant y Wal which have resulted from planning conditions.

2010/11 £'000		2011/12 £'000
780	Replacement facilities account	769
238	Replacement site account	239
52	Bocam Park	52
-	Wind Farm	121
<b>1,070</b>	<b>Balance as at 31 March</b>	<b>1,181</b>

The escrow accounts do not represent assets of the Council and are accounted for separately.

### 31. Developers' Contributions

Section 106 receipts are monies paid to the council by developers where, as a result of granting planning permission, works are required to be carried out or new facilities provided as a result of that permission (e.g. improvement of transport links for a housing or retail development). The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances (i.e. over £100k) of section 106 receipts held by the Council during the year were as follows:

	31 March 2011 £'000	Income £'000	Expenditure £'000	31 March 2012 £'000
Redrow - Marlas Farm - Enlargement of Afon y Felin Primary School	177			177
Llanmoor Homes - Maesteg Rd Tondu – additional education facilities	181			181
Broadlands Consortium – Newbridge fields - provision of playing fields facilities	142			142
Redrow – Lock's Lane, Porthcawl – maintenance of playing field and pavilion	130			130
Redrow - Brackla Park & Ride – upgrade B4181	311			311
Rockwool - Pencoed	102			102
HMP - Parc	1			1
Parc Derwen Primary School Design fees - Persimmon Homes		580		580
Parc Derwen Primary School Mobile Classroom		88	(88)	0
Other	703	193	(25)	871
<b>Total</b>	<b>1,747</b>	<b>861</b>	<b>(113)</b>	<b>2,495</b>

### 32. Contingent liabilities

There are no contingent liabilities recognised in the year.

**33. Pensions liabilities, IAS 19 disclosures**

The disclosures required for 2011/12 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Hewitt Associates Limited as the pensions actuary. Employees are admitted to the Rhondda Cynon Taff County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme.

**a) Teachers**

In 2011/12, the Authority paid £6.8 million (£6.8 million for 2010/11) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Authority is responsible for all pension payments relating to added years awarded, together with the related increases. In 2011/12, these amounted to £0.05 million (£0.05 million for 2010/11).

**b) Other employees**

In 2011/12 the Council paid an employer's contribution of £15.33 million (£15.45 million for 2010/11) into Rhondda Cynon Taf CBC Pension Fund. The Fund provides members with defined benefits related to pay and service.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

The pension costs that are charged to the Council's accounts are defined by FRS17 'Retirement Benefits'.

Further information can be found in Rhondda Cynon Taf CBC Pension Fund's Annual Report which is available upon request from the Director of Finance, Rhondda Cynon Taf County Borough Council, Bronwydd, Porth, Rhondda, Rhondda Cynon Taf.

<http://www.rctpensions.org.uk>

The principal assumptions used were:



	2011/12 % pa	2010/11 % pa
RPI Inflation Rate	3.6	3.7
Discount rate for scheme liabilities	4.8	5.4
Discount rate for pension costs over year	4.8	5.4
Rate of pension increases	2.6	2.8
Rate of salary increases	5.1	5.2
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	23.2	23.1
Women	24.5	24.4
Longevity at 65 for future pensioners :-		
Men	25.1	25.0
Women	26.5	26.4

The proportions of total assets held in each asset type by the Fund as a whole as at 31 March 2011 and 31 March 2012 are set out in the following table.

	Asset Split 2011/12 %	Asset Split 2010/11 %	Long Term Returns 2011/12 %	Long Term Returns 2010/11 %
Equities	65.6	68.3	8.1	8.4
Bonds - Government	10.5	10.3	3.1	4.4
Bonds - Corporate	13.3	12.3	3.7	5.1
Property	6.8	6.8	7.6	7.9
Cash	3.8	2.2	1.8	1.5
Other	0.0	0.1	8.1	8.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>6.7</b>	<b>7.4</b>

Bridgend County Borough Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 March 2012.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year. The real cost of retirement benefits is reversed out in the Statement of Movement in the Council Fund Balance. The following transactions have been made during the year :-

# Statement of Accounts

2011/12

Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11
<b>Cost of Services :-</b>								
Current Service Costs	13.61	13.87	0.00	0.00	0.00	0.00	13.61	13.87
Past Service Costs	0.25	(60.90)	0.03	(0.70)	0.03	(0.51)	0.31	(62.11)
<b>Financing &amp; Investment Income &amp; Expenditure :-</b>								
Interest Cost	27.36	27.16	0.35	0.36	0.31	0.32	28.02	27.84
Expected Return on Scheme Assets	(21.43)	(18.48)	0.00	0.00	0.00	0.00	(21.43)	(18.48)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>19.79</b>	<b>(38.35)</b>	<b>0.38</b>	<b>(0.34)</b>	<b>0.34</b>	<b>(0.19)</b>	<b>20.51</b>	<b>(38.88)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>								
Actuarial Gains and Losses	(55.96)	9.96	(0.61)	(0.14)	(0.54)	(0.12)	(57.11)	9.70
<b>Movement in Reserves Statement:-</b>								
Reversal of net charges made for retirement benefits in accordance with IAS 19	19.79	38.35	0.38	0.34	0.34	0.19	20.51	38.88
<b>Actual amount charged against the Council Fund Balance for pensions in the year :-</b>								
Employers' Contributions	15.68	15.68					15.68	15.68
Retirement Benefits Paid Out			0.48	0.47	0.45	0.45	0.93	0.92

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £57.11m (actuarial gain of £9.7m 2010/11) were included in the Movement in Reserves Statement as detailed below:-

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded		Total	
	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11
Total actuarial gains / (losses)	(55.96)	9.96	(0.61)	(0.14)	(0.54)	(0.12)	(57.11)	9.7
Total gain / (loss) in MIRS	(55.96)	9.96	(0.61)	(0.14)	(0.54)	(0.12)	(57.11)	9.7

The cumulative amount of actual gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £52.29m.

The table below is a reconciliation of present value of the scheme liabilities:-

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded	
	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11	£m 2011/12	£m 2010/11
Balance at 1 April	506.26	538.44	6.62	10.22	5.88	6.40
Current Service Costs	13.61	13.87	0.00	0.00	0.00	0.00
Interest Cost	27.36	27.13	0.35	0.36	0.31	0.32
Contributions by Participants	4.59	4.64	0.00	0.00	0.00	0.00
Actuarial (gains) / losses on liabilities	42.20	(4.80)	0.61	0.14	0.54	0.12
Business combinations	0.00	2.96	0.00	(2.93)	0.00	0.00
Net Benefits Paid Out	(17.46)	(15.08)	(0.48)	(0.47)	(0.45)	(0.45)
Past Service Cost	0.25	(60.90)	0.03	(0.70)	0.03	(0.51)
<b>Balance as at 31 March</b>	<b>576.81</b>	<b>506.26</b>	<b>7.13</b>	<b>6.62</b>	<b>6.31</b>	<b>5.88</b>

The table below is a reconciliation of fair value of the scheme assets:-

	Local Govt Pension	
	£m 2011/12	£m 2010/11
Balance at 1 April	292.65	263.77
Expected Return on Assets	21.43	18.48
Actuarial gains / (losses) on assets	(13.76)	5.16
Contributions by Employer	15.68	15.68
Contributions by Participants	4.59	4.64
Net Benefits Paid Out	(17.46)	(15.08)
<b>Balance as at 31 March</b>	<b>303.13</b>	<b>292.65</b>

Actual Return on Assets

The Actual Return on the Assets of the Scheme is as follows:-

	Local Govt Pension	
	£m 2011/12	£m 2010/11
Expected Return on Assets	21.43	18.48
Actuarial gain / (loss) on Assets	(13.76)	5.16
<b>Actual Return on Assets</b>	<b>7.67</b>	<b>23.64</b>

Scheme History

	£m	£m	£m	£m	£m
	2011/12	2010/11	2009/10	2008/09	2007/08
<b>Local Govt Pension Scheme</b>					
Fair Value of Assets	303.13	292.65	263.77	188.58	234.36
Present Value of Liabilities	(576.81)	(506.26)	(538.44)	(386.26)	(359.63)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(273.68)</b>	<b>(213.61)</b>	<b>(274.67)</b>	<b>(197.68)</b>	<b>(125.27)</b>
<b>LGPS Unfunded</b>					
Present Value of Liabilities	(7.13)	(6.62)	(10.22)	(9.09)	(8.93)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(7.13)</b>	<b>(6.62)</b>	<b>(10.22)</b>	<b>(9.09)</b>	<b>(8.93)</b>
<b>Teachers' Unfunded</b>					
Present Value of Liabilities	(6.31)	(5.88)	(6.40)	(5.74)	(5.66)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(6.31)</b>	<b>(5.88)</b>	<b>(6.40)</b>	<b>(5.74)</b>	<b>(5.66)</b>
<b>Total</b>	<b>(287.12)</b>	<b>(226.11)</b>	<b>(291.29)</b>	<b>(212.51)</b>	<b>(139.86)</b>

The total net liability of £287.12m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Bridgend CBC has usable reserves of £46.906m (Council Fund £7.199m, Usable Capital Receipts £12.313m and Earmarked Reserves £27.394m), representing a shortfall of £240.214m on the notional loss on the Pension Fund to Bridgend CBC. Any claw back of losses on the Pension Fund is subject to actuarial revaluations that take place every three years. Bridgend CBC is required to comply with actuarial advice.

The Employer's regular contributions to the Local Government Pension Scheme and payments directly to beneficiaries for the LGPS Unfunded and Teachers' Unfunded Schemes for the accounting period ending 31 March 2013 are :-

	2012/13 £m
Local Govt Pension Scheme	15.99
LGPS Unfunded	0.51
Teachers' Unfunded	0.48

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserves in 2011/12 can be analysed into the following categories at 31 March :-

History of Experience Gains and Losses	£m 2011/12	£m 2010/11	£m 2009/10	£m 2008/09	£m restated 2007/08
<b>LGPS Funded Benefits</b>					
Experience of gains (losses) on assets	(13.76)	5.16	59.67	(67.00)	(15.27)
Experience of gains (losses) on liabilities	(3.87)	11.37	4.31	(1.52)	(0.94)
<b>LGPS Unfunded</b>					
Experience of gains (losses) on liabilities	(0.16)	0.05	0.30	(0.11)	0.60
<b>Teachers' Unfunded</b>					
Experience of gains (losses) on liabilities	(0.14)	0.04	0.19	(0.07)	(0.39)

The history of experience gain / (loss) on liabilities has not been re-stated for financial years ending 2009 and 2008 and includes the experience relating to unfunded liabilities.

### 34. Financial Instruments Disclosures

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:-

Financial Liabilities	31 March 2012			31 March 2011		
	Actual Value of Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000	Actual Value of Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000
<b>Short Term Loans exc PWLB</b>	-	1,867	-	-	278	-
Public Works Loan Board (Long Term)	77,648	77,648	-	72,664	72,664	-
Public Works Loan Board (<1 year)	16	16	-	16	16	-
<b>Total PWLB Debt</b>	<b>77,664</b>	<b>77,664</b>	<b>100,471</b>	<b>72,680</b>	<b>72,680</b>	<b>80,545</b>
Fixed Market Long Term Loans	-	-	-	1,000	1,000	1,144
Fixed Market Short Term Loans	1,000	1,000	1,081	3,000	3,000	3,192
Lender Option Borrower Option Loans	19,250	19,848	29,443	19,250	19,859	24,511
<b>Total Fixed Market Long Term Loans</b>	<b>20,250</b>	<b>20,848</b>	<b>30,524</b>	<b>23,250</b>	<b>23,859</b>	<b>28,847</b>
<b>TOTAL</b>	<b>97,914</b>	<b>100,379</b>	<b>130,995</b>	<b>95,930</b>	<b>96,817</b>	<b>109,392</b>

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The fair value reflects the fact that the Council's portfolio of loans was taken out when interest rates were higher than those available for similar loans at the Balance Sheet date. This value was provided by the Public Works Loan Board and for the Lender Option Borrower Option Loans and the Fixed Market Long Term Loan, a calculation was undertaken to assess the fair value based upon a rate available for a new loan.

The Long Term Borrowing and Other Long Term Liabilities in the Balance Sheet are detailed below:-

<b>Long Term Borrowing &amp; Other Long Term Liabilities (excluding &lt; 1 year)</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
PWLB (long term)	77,648	72,664
<b>Total PWLB debt</b>	<b>77,648</b>	<b>72,664</b>
Fixed Market Long Term Loans	-	1,000
LOBO's	19,848	19,859
<b>Total Market Loans</b>	<b>19,848</b>	<b>20,859</b>
<b>Sub total</b>	<b>97,496</b>	<b>93,523</b>
<b>Total Long Term Borrowing</b>	<b>97,496</b>	<b>93,523</b>
Maesteg PFI Lease Liability	20,217	20,628
Invest to Save Loan	-	501
Finance Leases	95	248
Innovation Centre Financial Liability	845	871
<b>Total Long Term Liabilities</b>	<b>21,157</b>	<b>22,248</b>

Within Short term Creditors, the values of the short term liability relating to Other Long Term Liabilities for 2012/13 has been included. The amounts are as follows:-

	<b>Short-term Liability 2012/13 £'000</b>
Maesteg PFI Lease Liability	410
Invest to Save Loan	501
Finance Leases	153
Innovation Centre Financial Liability	26

Also within Short term Creditors, there are Trade Creditors of £10.641m of which £2.507m are due within six months included.

The Short Term Borrowing in the Balance Sheet is detailed below:-

<b>Short Term Borrowing &amp; Other Short Term Financial Liabilities</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Public Works Loan Board (<1 year)	16	16
Fixed Market Short Term Loans	1,000	3,000
Short Term Loans (Accrued Int. Long Term)	1,867	278
Escrow ( Football Club) Short Term	1,008	1,018
Escrow ( Bocam Park) Short Term	52	52
Escrow (Wind Farms) Short Term	121	-
Other Trust Funds	184	187
<b>Total Short Term Liabilities</b>	<b>4,248</b>	<b>4,551</b>

Short Term Investments and Cash and Cash Equivalents in the Balance Sheet are detailed below:-

Financial Assets	31 March 2012			31 March 2011		
	Actual Value of Investment Outstanding £'000	Carrying Amount £'000	Fair Value £'000	Actual Value of Investment Outstanding £'000	Carrying Amount £'000	Fair Value £'000
Investments (< 1 year)	5,500	5,563	5,572	13,000	13,027	13,040
<b>Total Investments</b>	<b>5,500</b>	<b>5,563</b>	<b>5,572</b>	<b>13,000</b>	<b>13,027</b>	<b>13,040</b>
Cash & Cash Equivalents (Deposits)	23,900	23,905	23,905	6,200	6,205	6,205
Cash in Hand/Overdrawn	(1,411)	(1,411)	(1,411)	(80)	(80)	(80)
<b>Total Cash &amp; Cash Equivalents</b>	<b>22,489</b>	<b>22,494</b>	<b>22,494</b>	<b>6,120</b>	<b>6,125</b>	<b>6,125</b>
<b>TOTAL</b>	<b>27,989</b>	<b>28,057</b>	<b>28,066</b>	<b>19,120</b>	<b>19,152</b>	<b>19,165</b>

There were no investments at the 31 March 2012 with a maturity date greater than a year. The Cash and Cash Equivalents (Deposits) figure was considerably higher at year end at £23.905m compared to £6.205m for the previous year end. This was due to short term deposits being held to cover a significant total value of cheques due to be issued in April 2012 relating to the settlement of claims.

#### Overall Procedures for Managing Risk

The Council's overall treasury risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice Treasury Management in the Public Services and Investment Guidance issued through the Act. The Council formally adopted the Code in April 2004 (and the changes to the Code in the 2009 revised edition) and the regulatory requirements which limit the level of risk associated with its treasury management activities.

Overall these procedures require the Council to manage risk by formally adopting the requirements of the Code of Practice and approving annually in advance Treasury Management and Prudential and Indicators for the following three years. These are required to be reported and approved at or before the Council's annual Council Tax setting budget. The Council meeting of the 23 February 2011 accepted the Treasury Policy Statement 2011/12 and the Prudential and Treasury Management Indicators 2011/12 to 2013/14.

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Actual performance is also reported annually to Members in the form of the Annual Treasury Management Report. These policies are implemented by a central Financial Control Team within Accountancy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Investment Strategy contained within the Treasury Policy Statement 2011/12.

The Council uses credit ratings published by Fitch Ratings Ltd, Standard & Poor's and Moody's Investors Service to establish the credit quality of counterparties (issuers and issues) and investment schemes and decisions are based on all ratings. In the current climate, relying mainly on credit ratings is considered to be inappropriate. Full regard is given to other available information on the credit quality of banks and building societies, including credit default swap prices, and other factors such as whether the counterparty has any explicit or implicit government support. This has been endorsed by the revised edition of the Treasury Management Code of Practice and the Welsh Government's Guidance on Local Authority Investments which states that authorities should not place an over-reliance on credit ratings.

The Annual Investment Strategy 2011/12 stated which investments the Council may use for the prudent management of its treasury balances during the financial year under the heads of Specified Investments and Non-Specified Investments. Cipfa's Code of Practice for Treasury Management requires all local authorities to conduct a mid year review of its treasury management policies, practices and activities. As a result of this review it was deemed beneficial for the Council to make some revisions to the Investment Strategy to enable increased flexibility in an ever changing financial market and to increase the investment opportunities available to the Council whilst still maintaining security. The Council meeting of 16 November 2011 approved the revisions as a result of the half year review of the Treasury Policy Statement.

The following criteria/limits (revised November 2011) were available to the Council:-



**Specified Investments**

	<b>Counterparty Limit £m</b>
UK registered Banks and Building Societies holding long-term credit ratings no lower than A+ or equivalent & Building Societies with an asset size more than £500 million rated BBB or equivalent	5.0
UK registered Banks and Building Societies holding long-term credit ratings no lower than :  A or equivalent for deposits of one month or less A- or equivalent for instant access deposits  <i>(Both ratings are considered to be within the "Strong Investment Grade")</i>	<i>(new category from Nov11)</i>  2.0 2.0
U.K. Local Authorities (unrated local authorities are assumed to hold an AAA rating)	10.0 <i>(revised from 5.0)</i>
U.K. parish councils and community councils	5.0
UK Central Government	No limit

**Non-specified Investments**

A maximum of £20m of investments could be in one of the following non-specified categories:-

- Deposits repayable on demand with the Authority's bankers even if they fall below the specified investment credit criteria (category limit £3m)
- Banks owned and domiciled in foreign countries with sovereign credit ratings no lower than AA+ (but still based on the lowest of the 3 credit rating agencies and with a long term credit rating no lower than A+ or equivalent) with a time limit of 6 months (category limit £3m)
- Money market funds rated AAA (category limit £5m)
- Long-term investments with UK central government, UK local authorities or UK banks and buildings societies (category limit £15m):
  - Minimum AAA long term credit rating with a maximum time limit of 5 years
  - Minimum AA- or equivalent long term credit rating with a maximum time limit of 3 years
  - Minimum A+ or equivalent long term credit rating with a maximum time limit of 2 years

The combined value of short and long term investments with any one organisation was subject to the counterparty limits detailed above.

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return. The majority of the Council's surplus funds is therefore kept in the form of short-term investments and all were placed with UK registered banks and building societies, UK local government or the UK Debt Management Office (executive agency of the UK government) and spread over a number of counterparties. This was deemed a much safer option even though it may be at the expense of extra basis points in interest. The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped below the limits detailed above. In light of events with the Eurozone crisis and the resultant effect on independently assessed credit ratings, the basis underlying which financial institutions were selected for investment was reviewed at the end of December 2011. This resulted in all new investments being placed with the DMO, UK Local Government and with the Council's bankers (in an instant access account) during the final quarter of 2011/12. The interest rates offered by these are lower than other counterparties but this is commensurate with the high level of security and reduced risk offered.

No breaches of the Council's counterparty criteria occurred during 2011/12 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. As at 31 March 2012, all investments (including cash and cash equivalents) had less than a year to maturity thus limiting the Council's exposure to credit risk.

The following analysis summarises the Authority's calculated exposure to credit risk and includes short term investments and deposits placed in instant access accounts which are classed as Cash and Cash Equivalents in the balance sheet:-

<b>Maturing within 1 Year All UK registered</b>	<b>Actual Amount Outstanding 31/03/12 £'000</b>	<b>Carrying Amount Bal Sheet 31/03/12 £'000</b>	<b>Historical Experience of Default %</b>	<b>Adjusted for Market Conditions At 31/03/12 %</b>	<b>Estimated Exposure to Default £'000</b>
Deposits with banks rated A	3,000	3,048	0.08	0.08	2
Deposits with Building Societies rated A	2,500	2,514	0.08	0.08	2
Cash & Cash Equivalents Local Authority/Central Govt.	20,900	20,904	0.00	0.00	0
Cash (Instant Access) bank rated A-	3,000	3,001	n/a	n/a	n/a
<b>Total</b>	<b>29,400</b>	<b>29,467</b>			

The historical experience of default for deposits is based on the average of the three main credit rating agencies' publisher default rate to the end of 2011.

**Liquidity risk**

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and the PWLB provides access to longer term funds. The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been borrowed from the Public Works Loan Board at long term fixed rates of interest. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant residual risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council maintains a significant debt and investment portfolio and manages its liquidity position through the setting and approval of Treasury Management and Prudential indicators and the approval of the treasury and investment strategies as well as through cash flow management procedures required by the Code of Practice. It arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. Longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Key parameters used to address liquidity risk are the Treasury Management Indicators which limit the maturity structure of fixed rate borrowing and the limits placed on investments placed for greater than one year in duration.

	Maturity structure of fixed rate borrowing	Upper Limit	Lower Limit	Actual Outstanding
		2011/12	2011/12	31/03/12
	Less than one year	50%	0%	21%
	Between one and two years	25%	0%	0%
	Between two and five years	50%	0%	0%
	Between five and ten years	60%	0%	0%
	More than ten years	100%	40%	79%

The 21% shown as maturing less than one year includes £19.25m for LOBO loans which relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the next trigger date being 22 July 2012) and therefore, the Authority being given the option to accept the increase or to repay the loan without incurring a penalty, however, the Council is not anticipating that this will occur during 2012/13.

		Limit 2011/12 £m	Actual Principal Invested during 2011/12 £m
	Upper Limit for Total Principal Sums Invested for more than 364 days	15	1.5

The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments providing stability of maturities and returns in relation to the longer term cash flow needs.

#### **Refinancing and Maturity Risk**

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved Treasury Management Indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments providing stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities (based on the carrying amount in the balance sheet) is as follows:

2010/11 £'000	Maturity Analysis Of Financial Liabilities	2011/12 £'000
6,164	Less than one year	5,338
2,107	Between one and two years	540
1,683	Between two and five years	1,750
3,590	Between five and ten years	3,891
108,391	More than ten years	112,472
<b>121,935</b>		<b>123,991</b>

The maturity analysis of financial assets (based on the carrying amount in the balance sheet) is as follows:

2010/11 £'000	Maturity Analysis Of Financial Assets	2011/12 £'000
19,152	Less than one year	20,914
-	Between one and two years	-
-	Between two and five years	-
-	More than five years	-
<b>19,152</b>		<b>20,914</b>

The Council does not generally allow credit for its trade debtors, such that £2.224m (£1.948m 2010/11) is past its due date for payment. The table below details the debtors analysed by age as follows:

2010/11 £'000	Trade Debtors	2011/12 £'000
872	Less than three months	928
140	Three to six months	267
387	Six months to one year	276
549	More than one year	753
<b>1,948</b>		<b>2,224</b>

There are also £3.472m (£2.668m 2010/11) of trade debtors not overdue for payment.

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement (MiRS). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the Council Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the MiRS, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Policy Statement draws together Council's Treasury Management and Prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure:

		<b>Upper Limit 2011/12</b>	<b>Actual Outstanding 31/03/12</b>
		<b>£m</b>	<b>£m</b>
	Total Projected Principal Outstanding on Borrowing	97.91	<b>97.91</b>
	Total Projected Principal Outstanding on Investments(including cash/cash equivalents deposits)	0.00	<b>29.40</b>
	<b>Net Principal Outstanding</b>	97.91	<b>68.51</b>
<b>1.</b>	<b>Limits on fixed interest rates (net principal) exposure</b>	118.00	<b>52.26</b>
<b>2.</b>	<b>Limits on variable interest rates Exposure (net principal) exposure</b>	40.00	<b>16.25</b>

The Financial Control Team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The Council tries to minimise its exposure to interest rate risk. As at 31 March 2012, all investments are of a short term nature with £26.4m on fixed rates. The remaining £3m are on an instant access basis (included under cash and cash equivalents on the Balance Sheet)

The financial effect in 2012/13 of a 1% increase/decrease in interest rates on the treasury portfolio of the Council at 31 March 2012 is estimated to be:-

	2012/13 Estimated £'000 +1%	2012/13 Estimated £'000 -1%
Interest on Borrowing	136	(3)
Investment Income	(270)	270
Net Costs / (Income)	(134)	267

There are two other types of treasury management risks that the Council is not exposed to as follows:-

**Price risk** - The Council, excluding the pension fund, does not invest in equity shares so is not exposed to changes in share prices. Changes in the prices of fixed interest investments are managed as part of the Authority's interest rate risk management strategy.

**Foreign exchange rate risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## Notes to the Cash Flow Statement

## 35. Adjustments for Non-Cash Movements

2010/11		2011/12
£'000		£'000
(23,364)	Depreciation & Impairment of Assets	(25,050)
(1,699)	Movement in Stock, Debtors & Creditors	(12,777)
(2,642)	Revenue Expenditure Funded from Capital Under Statute	(1,275)
55,480	Pension Fund Adjustments	(3,900)
(6,589)	Provisions	12,553
956	Carrying amount of Assets Sold	(239)
5,509	Minimum Revenue Provision	5,697
923	Revenue Contribution to Capital	775
<b>28,574</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>(24,216)</b>

## 36. Operating Activities

The cash flows for operating activities include the following items:-

2010/11		2011/12
£'000		£'000
(20,975)	Cash Flow on Revenue Activities	(5,305)
4,751	Interest Paid	4,772
1,619	Interest element of finance lease and PFI rental payments	1,580
(490)	Interest Received	(601)
<b>(15,095)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>446</b>



**37. Investing Activities**

The cash flows for investing activities include the following items:-

2010/11 £'000		2011/12 £'000
22,594	Purchase of Property, Plant and Equipment and Investment Property	23,635
2,948	Proceeds from Short Term Investments	(7,464)
(647)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(747)
<b>24,895</b>	<b>Net Cash Flows from Investing Activities</b>	<b>15,424</b>

**38. Financing Activities**

The cash flows for financing activities include the following items:-

2010/11 £'000		2011/12 £'000
(5,308)	Cash Receipts of short and long term borrowing	(19,772)
(12,639)	Other Receipts from financing activities	(23,036)
5,404	Repayments of short and long term borrowing	17,152
660	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	560
<b>(11,883)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(25,096)</b>

**39. Post Balance Sheet Events**

There are no Post Balance Sheet Events.

## **Glossary Of Terms**

### **Accrual**

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually received or paid as at the date of the balance sheet.

### **Actuary**

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

### **Agency services**

Agency services are services provided for us by an outside organisation.

### **Amortisation**

Reduction in value of capital expenditure which has not created an asset, through charges to revenue.

### **Audit**

An audit is an independent examination of the Council's accounts.

### **Balance Sheet**

This is a statement of our assets, liabilities and other balances at the date of the end of the financial year, 31 March.

### **Budget**

A budget (or estimate) is a plan of income and spending, based upon which council tax is set. Actual expenditure and income is subsequently monitored against this plan.

### **Capital expenditure**

Capital expenditure is spending on fixed assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

### **Capital Adjustment Account**

This is money set aside in the Council's accounts for capital spending and to repay loans.

### **Capital receipt**

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

### **Cash flow Statement**

This is a statement that summarises the movements in cash during the year.

### **Comprehensive Income and Expenditure Statement**

This account records day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

**Contingent liabilities**

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events.

**Corporate and Democratic Core (CDC)**

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

**Creditor**

A creditor is an organisation / someone owed money by the Council at the end of the financial year for goods / services received during the financial year or previous years.

**Current assets**

These are short-term assets that are available for the Council to use in the following accounting year.

**Current liabilities**

These are short-term liabilities that are due for payment by the Council in the following accounting year.

**Debtor**

A debtor is an organisation / someone who owed the Council money at the end of the financial year for goods / services received during the financial year or previous years.

**Delegated schools balances**

Under the Local Management of Schools provisions, any balances accrued at year end are delegated to individual schools. These funds are held outside of the Council's Council Fund balances.

**Depreciation**

Depreciation is the estimated loss in value of fixed assets that are presented in the Balance Sheet.

**Direct Service Organisation (DSO)**

This was a term referring to parts of the Council's own organisation. It consisted of workers directly employed (including supervisory staff), accommodation, equipment etc used to carry out specified tasks for the Council.

**Earmarked reserves**

These are reserves set aside for a specific purpose.

**Escrow account**

Escrow is a legal arrangement whereby money is delivered to a third party (called an escrow agent) to be held in trust pending a contingency or the fulfillment of a condition or conditions in a contract.

**Financial Year**

This is the accounting period. For local authorities it starts on 1 April and finishes on 31 March of the following year.

**Finance leases**

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

**Fixed asset**

These are long-term assets that are used in the provision of services (usually for more than one year).

**Government grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**International Financial Reporting Standard (IFRS)**

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

**Inventories**

Inventories are raw materials purchased for day to day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the balance sheet.

**Leasing**

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

**Liability**

A liability is an amount payable at some time in the future.

**Minimum Revenue Provision (MRP)**

This is an amount that has been set aside to repay loans. This should be a prudent amount.

**Movement in Reserves Statement (MIRS)**

This statement shows the movement in the year on different reserves held by the Authority.

**National Non-Domestic Rates (NNDR)**

The NNDR, or Business Rate, is the charge to occupiers of business premises. The money collected is paid to the Welsh Government and redistributed to individual authorities in proportion to their adult population.

**Net Realisable Value**

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

**Non Distributable Costs (NDC)**

NDC is a category of costs defined by the Best Value Accounting Code of Practice. It represents:

- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

**Open Market Value in Existing Use (OMVEU)**

OMVEU is a basis for valuation of fixed assets.

**Operating assets**

These are assets used in the running / provision of services.

**Operating leases**

These are leases where risks of ownership of the asset remain with the owner.

**Post balance sheet events**

Post balance sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the fair presentation of the accounts.

**Precepts**

This is the amount paid to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

**Prior year adjustment**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

**Provision**

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

**Private finance initiative (PFI)** – a central government initiative which aims to increase the levels of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation.

**Public Works Loan Board (PWLB)**

This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow.

**Related party transactions**

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

**Reserves**

These are the sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

**Revaluation Reserve**

This represents the non-distributable increase/decrease in the valuation of fixed assets.

**Revenue account**

This is an account which records our day to day spending and income on items such as salaries and Wages, running costs of services and the financing of capital expenditure.

**Service Reporting Code of Practice (SerCOP)**

The Service Reporting Code of Practice provides a consistent framework for reporting local authority data. SerCOP is reviewed annually by the appropriate regulating body to ensure that it

develops in line with the needs of modern local government, Transparency, Best Value and public services reform

**Temporary borrowing or investment**

This is money borrowed or invested for an initial period of less than one year.

**Trust fund**

Trust funds hold money on behalf of an individual or organisation. Trustees administer the funds for the owners.

**Work in progress (WIP)**

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.

**Independent auditor's report to the Members of Bridgend County Borough Council**

I have audited the accounting statements and related notes of Bridgend County Borough Council for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

Bridgend County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 based on International Financial Reporting Standards (IFRSs).

**Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Bridgend County Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on the accounting statements of Bridgend County Borough Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

**Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Bridgend County Borough Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

**Anthony Barrett**  
**Appointed Auditor**  
**Wales Audit Office,**  
**24 Cathedral Road,**  
**Cardiff,**  
**CF11 9LJ**

**28 September 2012**